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ABSTRACT

This volume supplied background information for employment and training legislation for the Committee on Labor and Public Welfare of the United States Senate for 1968. It includes: (1) excerpts from reports and recommendations of national committees and commissions on civil disorders, rural poverty, technology and automation, food and fiber, and urban coalition, (2) the complete texts of the Manpower Development and Training Act, Title I-B and D of the Economic Opportunity Act together with two articles evaluating federal manpower programs, (3) the President's proposals from his 1968 State of the Union Message and Manpower Message and Budgets, and (4) several proposals made by senators in the 90th Congress. A complete report on the 1968 hearings before the Senate Subcommittee on Employment, Manpower and Poverty is available as VT 010 274. (BC)

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# EMPLOYMENT AND TRAINING LEGISLATION—1968

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## Chapter 6.—The Formation of the Racial Ghettos

### MAJOR TRENDS IN NEGRO POPULATION

Throughout the 20th century, and particularly in the last three decades, the Negro population of the United States has been steadily moving from rural areas to urban, from South to North and West.

In 1910, 2.6 million Negroes lived in American cities—27 percent of the nation's Negro population of 9.8 million. Today, about 15 million Negro Americans live in metropolitan areas, or 69 percent of the Negro population of 21.5 million. In 1910, 800,000 Negroes—9 percent—lived outside the South. Now, almost 10 million, about 45 percent, live in the North or West.

These shifts in population have resulted from three basic trends:

- A rapid increase in the size of the Negro population.
- A continuous flow of Negroes from Southern rural areas, partly to large cities in the South, but primarily to large cities in the North and West.
- An increasing concentration of those Negroes in large metropolitan areas within racially segregated neighborhoods.

Taken together, these trends have produced large and constantly growing concentrations of Negro population within big cities in all parts of the nation. Because most major civil disorders of recent years occurred in all-Negro neighborhoods, we have examined the causes of this concentration.

### THE GROWTH RATE OF THE NEGRO POPULATION

During the first half of this century, the white population of the United States grew at a slightly faster rate than the Negro population. Because fertility rates[1] among Negro women were more than offset by death rates among Negroes and by large-scale immigration of whites from Europe, the proportion of Negroes in the country declined from 12 percent in 1900 to 10 percent in 1940.

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[1] The "fertility rate" is the number of live births per year per 1,000 women age 15 to 44 in the group concerned.

By the end of World War II—and increasingly since then—major advances in medicine and medical care, together with the increasing youth of the Negro population resulting from higher fertility rates, caused death rates among Negroes to fall much faster than among whites. This is shown in the following table:

| Year | Death rate per 1,000 population | | Ratio of nonwhite rate to white rate |
|---|---|---|---|
| | Whites | Nonwhites | |
| 1900 | 17.0 | 25.0 | 1.47 |
| 1940 | 10.4 | 13.8 | 1.33 |
| 1965 | 9.4 | 9.6 | 1.02 |

In addition, white immigration from outside the United States dropped dramatically after stringent restrictions were adopted in the 1920's.

| 20-year period: | *Total immigration (millions)* |
|---|---|
| 1901–20 | 14.5 |
| 1921–40 | 4.6 |
| 1941–60 | 3.6 |

Thus, by mid-century, both factors which previously had offset higher fertility rates among Negro women no longer were in effect.

While Negro fertility rates, after rising rapidly to 1957, have declined sharply in the past decade, white fertility rates have dropped even more, leaving Negro rates much higher in comparison.

| Year | Live births per 1,000 women aged 15 to 44 | | Ratio of nonwhite to white |
|---|---|---|---|
| | White | Nonwhite | |
| 1940 | 77.1 | 102.4 | 1.33 |
| 1957 | 117.4 | 163.4 | 1.39 |
| 1965 | 91.4 | 133.9 | 1.46 |

The result is that Negro population is now growing significantly faster than white population. From 1940 to 1960, the white population rose 34.0 percent, but the Negro population rose 46.6 percent. From 1960 to 1966, the white population grew 7.4 percent; whereas Negro population jumped 14.4 percent, almost twice as much.

Consequently, the proportion of Negroes in the total population has risen from 10.0 percent in 1950, to 10.5 percent in 1960, and 11.1 percent in 1966.[2]

In 1950, at least one of every ten Americans was Negro; in 1966, one of nine. If this trend continues, one of every eight Americans will be Negro by 1972.

Another consequence of higher birth rates among Negroes is that the Negro population is considerably younger than the white population. In 1966, the median age among whites was 29.1 years, as compared to 21.1 among Negroes. About 35 percent of the white population was under 18 years of age, compared with 45 percent for Negroes. About one of every six children under five and one of every six new babies are Negro.

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[2] These proportions are undoubtedly too low because the Census Bureau has consistently undercounted the number of Negroes in the U.S. by as much as 10 percent.

Negro-white fertility rates bear an interesting relationship to educational experience. Negro women with low levels of education have more children than white women with similar schooling, while Negro women with four years or more of college education have fewer children than white women similarly educated. The following table illustrates this:

| Education level attained | Number of children ever born to all women (married or unmarried) 35 to 39 years old, by level of education (based on 1960 census) | |
|---|---|---|
| | Nonwhite | White |
| Completed elementary school | 3.0 | 2.8 |
| 4 years of high school | 2.3 | 2.3 |
| 4 years of college | 1.7 | 2.2 |
| 5 years or more of college | 1.2 | 1.6 |

This suggests that the difference between Negro and white fertility rates may decline in the future if Negro educational attainment compares more closely with that of whites, and if a rising proportion of members of both groups complete college.

### THE MIGRATION OF NEGROES FROM THE SOUTH

#### *The Magnitude of This Migration*

In 1910, 91 percent of the nation's 9.8 million Negroes lived in the South. Twenty-seven percent of American Negroes lived in cities of 2,500 persons or more, as compared to 48 percent of the nation's white population.

By 1966, the Negro population had increased to 21.5 million, and two significant geographic shifts had taken place. The proportion of Negroes living in the South had dropped to 55 percent and about 69 percent of all Negroes lived in metropolitan areas compared to 64 percent for whites. While the total Negro population more than doubled from 1910 to 1966, the number living in cities rose five-fold (from 2.6 million to 14.8 million) and the number outside the South rose eleven-fold (from 880,000 to 9.7 million).

Negro migration from the South began after the Civil War. By the turn of the century, sizable Negro populations lived in many large Northern cities—Philadelphia, for example, had 63,400 Negro residents in 1900. The movement of Negroes out of the rural South accelerated during World War I, when floods and boll weevils hurt farming in the South, and the industrial demands of the war created thousands of new jobs for unskilled workers in the North. After the war, the shift to mechanized farming spurred the continuing movement of Negroes from rural Southern areas.

The Depression slowed this migratory flow, but World War II set it in motion again. More recently, continuing mechanization of agriculture and the expansion of industrial employment in Northern and Western cities have served to sustain the movement of Negroes out of the South, although at a slightly lower rate.

| Period | Net Negro outmigration from the South | Annual average rate |
|---|---|---|
| 1910-20 | 454,000 | 45,400 |
| 1920-30 | 749,000 | 74,900 |
| 1930-40 | 348,000 | 34,800 |
| 1940-50 | 1,597,000 | 159,700 |
| 1950-60 | 1,457,000 | 145,700 |
| 1960-66 | 613,000 | 102,000 |

From 1960 to 1963, annual Negro out-migration actually dropped to 78,000 but then rose to over 125,000 from 1963 to 1966.

*Important Characteristics of this Migration*

It is useful to recall that even the latest scale of Negro migration is relatively small when compared to the earlier waves of European immigrants. A total of 8.8 million immigrants entered the United States between 1901 and 1911, and another 5.7 million arrived during the following decade. Even during the years from 1960 through 1966, the 1.8 million immigrants from abroad vastly outnumbered the 613,000 Negroes who departed the South. In these same six years, California alone gained over 1.5 million new residents from internal shifts of American population.

Three major routes of Negro migration from the South have developed. One runs north along the Atlantic Seaboard toward Boston, another north from Mississippi toward Chicago, and the third west from Texas and Louisiana toward California. Between 1955 and 1960, 50 percent of the nonwhite migrants to the New York metropolitan area came from North Carolina, South Carolina, Virginia, Georgia, and Alabama; North Carolina alone supplied 20 percent of all New York's nonwhite immigrants. During the same period, almost 60 percent of the nonwhite migrants to Chicago came from Mississippi, Tennessee, Arkansas, Alabama, and Louisiana; Mississippi accounted for almost one-third. During these years, three-fourths of the nonwhite migrants to Los Angeles came from Texas, Louisiana, Mississippi, Arkansas, and Alabama.

The flow of Negroes from the South has caused the Negro population to grow more rapidly in the North and West, as indicated below.

TOTAL NEGRO POPULATION GAINS (MILLIONS)

| Period | North and West | South | Percent of gain in North and West |
|---|---|---|---|
| 1940-50 | 1.855 | 0.321 | 85.2 |
| 1950-60 | 2.732 | 1.086 | 71.5 |
| 1960-66 | 2.147 | .517 | 80.6 |

As a result, although a much higher proportion of Negros still reside in the South, the distribution of Negros throughout the United States is beginning to approximate that of whites, as the following tables show.

PERCENT DISTRIBUTION OF THE POPULATION BY REGION—1950, 1960, AND 1966

| | Negro | | | White | | |
|---|---|---|---|---|---|---|
| | 1950 | 1960 | 1966 | 1950 | 1960 | 1966 |
| United States | 100 | 100 | 100 | 100 | 100 | 100 |
| South | 68 | 60 | 55 | 27 | 27 | 28 |
| North | 28 | 34 | 37 | 59 | 56 | 55 |
| Northeast | 13 | 16 | 17 | 28 | 26 | 26 |
| North central | 15 | 18 | 20 | 31 | 30 | 29 |
| West | 4 | 6 | 8 | 14 | 16 | 17 |

NEGROES AS A PERCENTAGE OF THE TOTAL POPULATION IN THE UNITED STATES AND EACH REGION, 1950, 1960, AND 1966

| | 1950 | 1960 | 1966 |
|---|---|---|---|
| United States | 10 | 11 | 11 |
| South | 22 | 21 | 20 |
| North | 5 | 7 | 8 |
| West | 3 | 4 | 5 |

Negroes in the North and West are now so numerous that natural increase rather than migration provides the greater part of Negro population gains there. And even though Negro migration has risen steadily, it comprises a constantly declining proportion of Negro growth in these regions.

*Percentage of total North and West Negro gain from southern immigration*

| Period: | |
|---|---|
| 1940–50 | 85.9 |
| 1950–60 | 53.1 |
| 1960–66 | 28.9 |

In other words, we have reached the point where the Negro populations of the North and West will continue to expand significantly even if migration from the South drops substantially.

*Future Migration*

Despite accelerating Negro migration from the South, the Negro population there has continued to rise.

| Date | Negro population in the South (millions) | Change from preceding date | |
|---|---|---|---|
| | | Total | Annual average |
| 1940 | 9.9 | | |
| 1950 | 10.2 | 321,000 | 32,100 |
| 1960 | 11.3 | 1,086,000 | 108,600 |
| 1966 | 11.8 | 517,000 | 86,200 |

Nor is it likely to halt. Negro birth rates in the South, as elsewhere, have fallen sharply since 1957, but so far, this decline has been offset by the rising Negro population base remaining in the South. From 1950 to 1960, Southern Negro births generated an average net increase of 254,000 per year, and from 1960 to 1966, an almost identical 188,000 per year. Even if Negro birth rates continue to fall, they are likely to remain high enough to support significant migration to other regions for some time to come.

The Negro population in the South is becoming increasingly urbanized. In 1950, there were 5.4 million Southern rural Negroes; by 1960, 4.8 million. But this decline has been more than offset by increases in the urban population. A rising proportion of inter-regional migration now consists of persons moving from one city to another. From 1960 to 1966, rural Negro population in the South was far below its peak, but the annual average migration of Negroes from the South was still substantial.

These facts demonstrate that Negro migration from the South, which has moved at an accelerating rate for the past 60 years, will continue, unless economic conditions change dramatically in either the South or the North and West. This conclusion is reinforced by the fact that most Southern states in recent decades have also experienced outflows of white population. From 1950 to 1960, 12 of the 17 Southern states (including the District of Columbia) "exported" white population— as compared to 13 which "exported" Negro population. Excluding Florida's net gain by migration of 1.5 million, the other 16 Southern states together had a net loss by migration of 1.46 million whites.

## THE CONCENTRATION OF NEGRO POPULATION IN LARGE CITIES

### *Where Negro Urbanization Has Occurred*

Statistically, the Negro population in America has become more urbanized, and more metropolitan, than the white population. According to Census Bureau estimates, almost 70 percent of all Negroes in 1966 lived in metropolitan areas, compared to 64 percent of all whites. In the South, more than half the Negro population now lives in cities. Rural Negroes outnumber urban Negroes in only four states: Arkansas, Mississippi, North Carolina, and South Carolina.

Basic data concerning Negro urbanization trends, presented in tables at the conclusion of this chapter, indicate that:

- Almost all Negro population growth is occurring within metropolitan areas, primarily within central cities. From 1950 to 1966, the U.S. Negro population rose 6.5 million. Over 98 percent of that increase took place in metropolitan areas—86 percent within central cities, 12 percent in the urban fringe.
- The vast majority of white population growth is occurring in suburban portions of metropolitan areas. From 1950 to 1966, 77.8 percent of the white population increase of 35.6 million took place in the suburbs. Central cities received only 2.5 percent of this total white increase. Since 1960, white central-city population has actually declined by 1.3 million.
- As a result, central cities are steadily becoming more heavily Negro, while the urban fringes around them remain almost entirely white. The proportion of Negroes in all central cities rose steadily from 12 percent in 1950, to 17 percent in 1960, to 20 percent in 1966. Meanwhile, metropolitan areas outside of central cities remained 95 percent white from 1950 to 1960, and became 96 percent white by 1966.

- The Negro population is growing faster, both absolutely and relatively, in the larger metropolitan areas than in the smaller ones. From 1950 to 1966, the proportion of nonwhites in the central cities of metropolitan areas with one million or more persons doubled, reaching 26 percent, as compared with 20 percent in the central cities of metropolitan areas containing from 250,000 to one million persons, and 12 percent in the central cities of metropolitan areas containing under 250,000 persons.
- The 12 largest central cities (New York, Chicago, Los Angeles, Philadelphia, Detroit, Baltimore, Houston, Cleveland, Washington, D.C., St. Louis, Milwaukee, and San Francisco) now contain over two-thirds of the Negro population outside the South, and one-third of the Negro total in the United States. All these cities have experienced rapid increases in Negro population since 1950. In six (Chicago, Detroit, Cleveland, St. Louis, Milwaukee, and San Francisco), the proportion of Negroes at least doubled. In two others (New York and Los Angeles), it probably doubled. In 1968, seven of these cities are over 30 percent Negro, and one (Washington, D.C.) is two-thirds Negro.

### *Factors Causing Residential Segregation in Metropolitan Areas*

The early pattern of Negro settlement within each metropolitan area followed that of immigrant groups. Migrants converged on the older sections of the central city because the lowest cost housing was there, friends and relatives were likely to be there; and the older neighborhoods then often had good public transportation.

But the later phases of Negro settlement and expansion in metropolitan areas diverge sharply from those typical of white immigrants. As the whites were abosrbed by the larger society, many left their predominantly ethnic neighborhoods and moved to outlying areas to obtains newer housing and better schools. Some scattered randomly over the suburban area. Others established new ethnic clusters in the suburbs, but even these rarely contained solely members of a single ethnic group. As a result, most middle-class neighborhoods—both in the suburbs and within central cities—have no distinctive ethnic character, except that they are white.

Nowhere has the expansion of Amerca's urban Negro population followed this pattern of dispersal. Thousands of Negro families have attained incomes, living standards, and cultural levels matching or surpassing those of whites who have "upgraded" themselves from distinctively ethnic neighborhoods. Yet most Negro families have remained within predominantly Negro neighborhoods, primarily because they have been effectively excluded from white residential areas.

Their exclusion has been accomplished through various discriminatory practices, some obvious and overt, others subtle and hidden. Deliberate efforts are sometimes made to discourage Negro families from purchasing or renting homes in all-white neighborhoods. Intimidation and threats of violence have ranged from throwing garbage on lawns and making threatening phone calls to burning crosses in yards and even dynamiting property. More often, real estate agents simply refuse to show homes to Negro buyers.

Many middle-class Negro families, therefore, cease looking for homes beyond all-Negro areas or nearby "changing" neighborhoods. For them, trying to move into all-white neighborhoods is not worth the psychological efforts and costs required.

Another form of discrimination just as significant is "white flight"—withdrawal from, or refusal to enter neighborhoods where large numbers of Negroes are moving or already residing. Normal population turnover causes about 20 percent of the residents of average United States neighborhoods to move out every year because of income changes, job transfers, shifts in life-cycle position or deaths. This normal turnover rate is even higher in apartment areas. The refusal of whites to move into "changing" areas when vacancies occur there from normal turnover means that most vacancies are eventually occupied by Negroes. An inexorable shift toward heavy Negro occupancy results.

Once this happens, the remaining whites seek to leave, and this seems to confirm the existing belief among whites and complete transformation of a neighborhood is inevitable once Negroes begin to enter. Since the belief itself is one of the major causes of the transformation, it becomes a self-fulfilling prophecy, which inhibits the development of racially integrated neighborhoods.

Thus, Negro settlements expand almost entirely through "massive racial transition" at the edges of existing all-Negro neighborhoods, rather than by a gradual dispersion of population throughout the metropolitan area.

Two important points to note about this phenomenon are that:

- "Massive transition" requires no panic or flight by the original white residents of a neighborhood into which Negroes begin moving. All it requires is the failure or refusal of other whites to fill the vacancies resulting from normal turnover.
- Thus, efforts to stop massive transition by persuading present white residents to remain will ultimately fail unless whites outside the neighborhood can be persuaded to move in.

Some residential separation of whites and Negroes would occur even without discriminatory practices by whites. Separation would result from the desires of some Negroes to live in predominantly Negro neighborhoods like many other groups, and from differences in meaningful social variables, such as income and educational levels, between many Negroes and many whites. But these factors would not lead to the almost complete segregation of whites and Negroes, which has developed in our metropolitan areas.

### *The Exodus of Whites From Central Cities*

The process of racial transition in central-city neighborhoods has been only one factor among many others causing millions of whites to move out of central cities as the Negro populations there expanded. More basic perhaps have been the rising mobility and affluence of middle-class families and the more attractive living conditions—particularly better schools—in the suburbs.

Whatever the reason, the result is clear. In 1950, 45.5 million whites lived in central cities. If this population had grown from 1950 to 1960 at the same rate as the nation's white population as a whole, it would have increased by eight million. It actually rose only 2.2 million, indicating an outflow of 5.8 million.[4]

From 1960 to 1966, the white outflow appears to have been even more rapid. White population of central cities declined 1.3 million instead of rising 3.6 million as it would if it had grown at the same rate as the entire white population. In theory, therefore, 4.9 million whites left central cities during these six years.

Statistics for all central cities as a group understate the relationship between Negro population growth and white outflow in individual central cities. The fact is, many cities with relatively few Negroes experienced rapid white-population growth, thereby obscuring the size of white out-migration that took place out of cities having big increases in Negro population. For example, from 1950 to 1960, the 10 largest cities in the United States had a total Negro population increase of 1.8 million, or 58 percent, while the white population there declined 1.5 million. If we remove the two cities where the white population increased (Los Angeles and Houston), the nonwhite population in the remaining eight rose 1.4 million; whereas their white population declined 2.1 million. If the white population in these cities had increased at only half the rate of the white population in the United States as a whole from 1950 to 1960, it would have risen by 1.4 million. Thus, these eight cities actually experienced a white out-migration of at least 3.5 million, while gaining 1.4 million nonwhites.

### *The Extent of Residential Segregation*

The rapid expansion of all-Negro residential areas in central cities and large-scale white withdrawal from them have continued a pattern of residential segregation that has existed in American cities for decades. A recent study[5] reveals that this pattern is present to a high degree in every large city in America. The authors devised an index to measure the degree of residential segregation. The index indicates for each city the percentage of Negroes who would have to move from the blocks where they now live to other blocks in order to provide a perfectly proportional, unsegregated distribution of population.

According to their findings, the average segregation index for 207 of the largest United States cities was 86.2 in 1960. This means that an average of over 86 percent of all Negroes would have had to change blocks to create an unsegregated population distribution. Southern cities had a higher average index (90.9) than cities in the Northeast (79.2), the North Central (87.7), or the West (79.3). Only eight cities had index values below 70, whereas over 50 had values above 91.7.

The degrees of residential segregation for all 207 cities has been relatively stable, averaging 85.2 in 1940, 87.3 in 1950, and 86.2 in 1960. Variations within individual regions were only slightly larger. However, a recent Census Bureau study shows that in most of the 12 large cities where special censuses were taken in the mid-1960's, the proportions of Negroes living in neighborhoods of greatest Negro concentration had increased since 1960.

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[4] The outflow of whites may be somewhat smaller than the 5.8 million difference between these figures, because the ages of the whites in many central cities are higher than in the nation as a whole, and therefore the population would have grown somewhat more slowly.

[5] *Negroes in Cities*, Karl and Alma Taeuber, Aldine Publishing Co., Chicago (1965).

Residential segregation is generally more prevalent with respect to Negroes than for any other minority group, including Puerto Ricans, Orientals, and Mexican Americans. Moreover, it varies little between central city and suburb. This nearly universal pattern cannot be explained in terms of economic discrimination against all low-income groups. Analysis of 15 representative cities indicates that white upper- and middle-income households are far more segregated from Negro upper- and middle-income households than from white lower-income households.

In summary, the concentration of Negroes in central cities results from a combination of forces. Some of these forces, such as migration and initial settlement patterns in older neighborhoods, are similar to those which affected previous ethnic minorities. Others—particularly discrimination in employment and segregation in housing and schools—are a result of white attitudes based on race and color. These forces continue to shape the future of the central city.

PROPORTION OF NEGROES IN EACH OF THE 30 LARGEST CITIES, 1950, 1960, AND ESTIMATED 1965

| | 1950 | 1960 | (Estimate)[6] 1965 |
|---|---|---|---|
| New York, N.Y | 10 | 14 | 18 |
| Chicago, Ill | 14 | 23 | 28 |
| Los Angeles, Calif | 9 | 14 | 17 |
| Philadelphia, Pa | 18 | 26 | 31 |
| Detroit, Mich | 16 | 29 | 34 |
| Baltimore, Md | 24 | 35 | 38 |
| Houston, Tex | 21 | 23 | 23 |
| Cleveland, Ohio | 16 | 29 | 34 |
| Washington, D.C | 35 | 54 | 66 |
| St. Louis, Mo | 18 | 29 | 36 |
| Milwaukee, Wis | 3 | 8 | 11 |
| San Francisco, Calif | 6 | 10 | 12 |
| Boston, Mass | 5 | 9 | 13 |
| Dallas, Tex | 13 | 19 | 21 |
| New Orleans, La | 32 | 37 | 41 |
| Pittsburgh, Pa | 12 | 17 | 20 |
| San Antonio, Tex | 7 | 7 | 8 |
| San Diego, Calif | 5 | 6 | 7 |
| Seattle, Wash | 3 | 5 | 7 |
| Buffalo, N.Y | 6 | 13 | 17 |
| Cincinnati, Ohio | 16 | 22 | 24 |
| Memphis, Tenn | 37 | 37 | 40 |
| Denver, Colo | 4 | 6 | 9 |
| Atlanta, Ga | 37 | 38 | 44 |
| Minneapolis, Minn | 1 | 2 | 4 |
| Indianapolis, Ind | 15 | 21 | 23 |
| Kansas City, Mo | 12 | 18 | 22 |
| Columbus, Ohio | 12 | 16 | 18 |
| Phoenix, Ariz | 5 | 5 | 5 |
| Newark, N.J | 17 | 34 | 47 |

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[6] Except for Cleveland, Buffalo, Memphis, and Phoenix, for which a special census has been made in recent years, these are very rough estimations computed on the basis of the change in relative proportions of Negro births and deaths since 1960.

Source: U.S. Department of Commerce, Bureau of the Census.

### PERCENT OF ALL NEGROES IN SELECTED CITIES LIVING IN CENSUS TRACTS GROUPED ACCORDING TO PROPORTION NEGRO IN 1960 AND 1964–66[7]

| | Year | All census tracts | 75 percent or more Negro | 50 to 74 percent Negro | 25 to 49 percent Negro | Less than 25 percent Negro |
|---|---|---|---|---|---|---|
| Cleveland, Ohio | 1960 | 100 | 72 | 16 | 8 | 4 |
| | 1965 | 100 | 80 | 12 | 4 | 4 |
| Phoenix, Ariz. | 1960 | 100 | 19 | 36 | 24 | 21 |
| | 1965 | 100 | 18 | 23 | 42 | 17 |
| Buffalo, N.Y. | 1960 | 100 | 35 | 47 | 6 | 12 |
| | 1966 | 100 | 69 | 10 | 13 | 8 |
| Louisville, Ky. | 1960 | 100 | 57 | 13 | 17 | 13 |
| | 1964 | 100 | 67 | 13 | 10 | 10 |
| Rochester, N.Y. | 1960 | 100 | 8 | 43 | 17 | 32 |
| | 1964 | 100 | 16 | 45 | 24 | 15 |
| Sacremento, Calif. | 1960 | 100 | 9 | ------------ | 14 | 77 |
| | 1964 | 100 | 8 | 14 | 28 | 50 |
| Des Moines, Iowa | 1960 | 100 | ------------ | 28 | 31 | 41 |
| | 1966 | 100 | ------------ | 42 | 19 | 39 |
| Providence, R.I. | 1960 | 100 | ------------ | 23 | 2 | 75 |
| | 1965 | 100 | ------------ | 16 | 46 | 38 |
| Shreveport, La. | 1960 | 100 | 79 | 10 | 7 | 4 |
| | 1966 | 100 | 90 | ------------ | 6 | 4 |
| Evansville, Ind. | 1960 | 100 | 34 | 27 | 9 | 30 |
| | 1966 | 100 | 59 | 14 | ------------ | 27 |
| Little Rock, Ark. | 1960 | 100 | 33 | 33 | 19 | 15 |
| | 1964 | 100 | 41 | 18 | 22 | 19 |
| Raleigh, N.C. | 1960 | 100 | 86 | ------------ | 7 | 7 |
| | 1966 | 100 | 88 | 4 | 2 | 6 |

[7] Selected cities of 100,000 or more in which a special census was taken in any of the years 1964–66. Ranked according to total population at latest census.

Source: U.S. Department of Commerce, Bureau of the Census.

### POPULATION CHANGE BY LOCATION, INSIDE AND OUTSIDE METROPOLITAN AREAS, 1950–66 (NUMBERS IN MILLIONS)

| | Population | | | | | |
|---|---|---|---|---|---|---|
| | Negro | | | White | | |
| | 1950 | 1960 | 1966 | 1950 | 1960 | 1966 |
| United States | 15.0 | 18.8 | 21.5 | 135.2 | 158.8 | 170.8 |
| Metropolitan areas | 8.4 | 12.2 | 14.8 | 80.3 | 99.7 | 109.0 |
| Central cities | 6.5 | 9.7 | 12.1 | 45.5 | 47.7 | 46.4 |
| Urban fringe | 1.9 | 2.5 | 2.7 | 34.8 | 52.0 | 62.5 |
| Small cities, towns and rural | 6.7 | 6.7 | 6.7 | 54.8 | 59.2 | 61.8 |

| | Change, 1950–66 | | | |
|---|---|---|---|---|
| | Negro | | White | |
| | Number | Percent | Number | Percent |
| United States | 6.5 | 43 | 35.6 | 26 |
| Metropolitan areas | 6.4 | 77 | 28.7 | 36 |
| Central cities | 5.6 | 87 | .9 | 2 |
| Urban fringe | .8 | 42 | 27.7 | 79 |
| Smaller cities, towns and rural | ([8]) | 1 | 7.0 | 13 |

[8] Rounds to less than 500,000.

### PERCENT DISTRIBUTION OF POPULATION BY LOCATION, INSIDE AND OUTSIDE METROPOLITAN AREAS, 1950 1960, AND 1966

| | Negro | | | White | | |
|---|---|---|---|---|---|---|
| | 1950 | 1960 | 1966 | 1950 | 1960 | 1966 |
| United States | 100 | 100 | 100 | 100 | 100 | 100 |
| Metropolitan areas | 56 | 65 | 69 | 59 | 63 | 64 |
| Central cities | 43 | 51 | 56 | 34 | 30 | 27 |
| Urban fringe | 13 | 13 | 13 | 26 | 33 | 37 |
| Smaller cities, town and rural | 44 | 35 | 31 | 41 | 37 | 36 |

NEGROES AS A PERCENTAGE OF TOTAL POPULATION BY LOCATION, INSIDE AND OUTSIDE METROPOLITAN AREAS, AND BY SIZE OF METROPOLITAN AREAS—1950, 1960, AND 1966

| | Percent Negro | | |
|---|---|---|---|
| | 1950 | 1960 | 1966 |
| United States | 10 | 11 | 11 |
| Metropolitan areas | 9 | 11 | 12 |
| Central cities | 12 | 17 | 20 |
| Central cities in metropolitan areas [9] of— | | | |
| 1,000,000 or more | 13 | 19 | [10] 26 |
| 250,000 to 1,000,000 | 12 | 15 | [10] 20 |
| Under 250,000 | 12 | 12 | [10] 12 |
| Urban fringe | 5 | 5 | 4 |
| Smaller cities, towns and rural | 11 | 10 | 10 |

[9] In metropolitan areas of population shown as of 1960.

[10] Percent nonwhite; data for Negroes are not available. The figures used are estimated to be closely comparable to those for Negroes alone, using a check for Negro and nonwhite percentages in earlier years.

Source: U.S. Department of Commerce, Bureau of the Census.

## CHAPTER 7.—UNEMPLOYMENT, FAMILY STRUCTURE, AND SOCIAL DISORGANIZATION

### RECENT ECONOMIC TRENDS

The Negro population in our country is as diverse in income, occupation, family composition, and other variables as the white community. Nevertheless, for purposes of analysis, three major Negro economic groups can be identified.

The first and smallest group consists of middle and upper-income individuals and households whose educational, occupational, and cultural characteristics are similar to those of middle and upper-income white groups.

The second and largest group contains Negroes whose incomes are above the "poverty level" but who have not attained the educational, occupational, or income status typical of "middle-class" Americans.

The third group has very low educational, occupational, and income attainments and lives below the "poverty level."

A recent compilation of data on American Negroes by the Departments of Labor and Commerce shows that:

- The incomes of both Negroes and whites have been rising rapidly.
- Negro incomes still remain far below those of whites. Negro median family income was only 58 percent of the white median in 1966.
- Although it is growing, Negro family income is not keeping pace with white family income growth. In constant 1965 dollars, median nonwhite income in 1947 was $2174 lower than median white income. By 1966, the gap had grown to $3036.
- The Negro "upper-income" group is expanding rapidly and achieving sizeable income gains. In 1966, 28 percent of all Negro families received incomes of $7000 or more, compared with 55 percent of white families. This was double the proportion of Negroes receiving comparable incomes in 1960, and 4 times greater than the proportion receiving such incomes in 1947. Moreover, the proportion of Negroes employed in high-skill, high-status, and well-paying jobs rose faster than comparable proportions among whites from 1960 to 1966.

- As Negro incomes have risen, the size of the lowest-income group has grown smaller, and the middle and upper groups have grown larger—both relatively and absolutely.

| Group | Percentage of Negro families | | | Percentage of white families 1966 |
|---|---|---|---|---|
| | 1947 | 1960 | 1966 | |
| $7,000 and over | 7 | 17 | [illegible] | 55 |
| $3,000 to $6,999 | 29 | 40 | 41 | 33 |
| Under $3,000 | 65 | 44 | 32 | 13 |

- About two-thirds of the lowest-income group—or 20 percent of all Negroes—are making no significant economic gains despite continued general prosperity. Half of these "hard-core disadvantaged"—more than two million persons—live in central-city neighborhoods. Recent special censuses in Los Angeles and Cleveland indicate that the incomes of persons living in the worst slum areas have not risen at all during this period, unemployment rates have declined only slightly, the proportion of families with female heads has increased, and housing conditions have worsened even though rents have risen.

Thus, between 2.0 and 2.5 million poor Negroes are living in disadvantaged neighborhoods of central cities in the United States. These persons comprise only slightly more than 1 percent of the nation's total population, but they make up about 16 to 20 percent of the total Negro population of all central cities, and a much higher proportion in certain cities.

### UNEMPLOYMENT AND UNDEREMPLOYMENT

*The Critical Significance of Employment*

The capacity to obtain and hold a "good job" is the traditional test of participation in American society. Steady employment with adequate compensation provides both purchasing power and social status. It develops the capabilities, confidence, and self-esteem an individual needs to be a responsible citizen and provides a basis for a stable family life. As Daniel P. Moynihan has written:

> The principal measure of progress toward equality will be that of employment. It is the primary source of individual or group identity. In America what you do is what you are: to do nothing is to be nothing; to do little is to be little. The equations are implacable and blunt, and ruthlessly public.
>
> For the Negro American it is already, and will continue to be, the master problem. It is the measure of white bona fides. It is the measure of Negro competence, and also of the competence of American society. Most importantly, the linkage between problems of employment and the range of social pathology that afflicts the Negro community is unmistakable. Employment not only controls the present for the Negro American but, in a most profound way, it is creating the future as well.

For residents of disadvantaged Negro neighborhoods, obtaining good jobs is vastly more difficult than for most workers in society. For decades, social, economic, and psychological disadvantages surrounding the urban Negro poor have impaired their work capacities and opportunities. The result is a "cycle of failure"—the employment disabilities of one generation breed those of the next.

### *Negro Unemployment*

Unemployment rates among Negroes have declined from a postwar high of 12.6 percent in 1958 to 8.2 percent in 1967. Among married Negro men, the unemployment rate for 1967 was down to 3.2 percent.

Notwithstanding this decline, unemployment rates for Negroes are still double those for whites in every category, including married men, as they have been throughout the postwar period. Moreover, since 1954, even during the current unprecedented period of sustained economic growth, unemployment among Negroes has been continuously above the 6.0 percent "recession" level widely regarded as a sign of serious economic weakness when prevalent for the entire work force.

While the Negro unemployment rate remains high in relation to the white rate, the number of additional jobs needed to lower this to the level of white unemployment is surprisingly small. In 1967, approximately 3.0 million persons were unemployed during an average week, of whom about 638,000, or 21 percent, were nonwhites. When corrected for undercounting, total nonwhite unemployment was approximately 712,000 or 8 percent of the nonwhite labor force. To reduce the unemployment rate to 3.4 percent, the rate prevalent among whites, jobs must be found for 57.5 percent of these unemployed persons. This amounts to nearly 409,000 jobs, or about 28 percent of the net number of new jobs added to the economy in the year 1967 alone and only slightly more than ½ of 1 percent of all jobs in the United States in 1967.

## THE LOW-STATUS AND LOW-PAYING NATURE OF MANY NEGRO JOBS

Even more important perhaps than unemployment is the related problem of the undesirable nature of many jobs open to Negroes. Negro workers are concentrated in the lowest-skilled and lowest-paying occupations. These jobs often involve substandard wages, great instability and uncertainty of tenure, extremely low status in the eyes of both employer and employee, little or no chance for meaningful advancement, and unpleasant or exhausting duties. Negro men in particular are more than twice as likely as whites to be in unskilled or service jobs which pay far less than most:

| Type of occupation | Percentage of male workers in each type of occupation—1966 | | Median earnings of all male civilians in each occupation—1965 |
|---|---|---|---|
| | White | Nonwhite | |
| Professional, technical, managerial | 27 | 9 | [1] $7,603 |
| Clerical and sales | 14 | 9 | [1] 5,532 |
| Craftsmen and foremen | 20 | 12 | 6,270 |
| Operatives | 20 | 27 | 5,046 |
| Service workers | 6 | 16 | 3,436 |
| Nonfarm laborers | 6 | 20 | 2,410 |
| Farmers and farmworkers | 7 | 8 | [1] 1,699 |

[1] Average of 2 categories from normal Census Bureau categories as combined in data presented in "The Social and Economic Conditions of Negroes in the United States" (BLS No. 332).

This concentration in the least desirable jobs can be viewed another way by calculating the changes which would occur if Negro men were employed in various occupations in the same proportions as the male labor force as a whole (*not* solely the white labor force).

| Type of occupation | Number of male nonwhite workers—1966 | | | |
|---|---|---|---|---|
| | As actually distributed [2] | If distributed the same as all male workers | Difference | |
| | | | Number | Percent |
| Professional, technical, managerial | 415,000 | 1,173,000 | +758,000 | +183 |
| Clerical and sales | 415,000 | 628,000 | +213,000 | +51 |
| Craftsmen and foremen | 553,000 | 894,000 | +341,000 | +62 |
| Operatives | 1,244,000 | 964,000 | −280,000 | −23 |
| Service workers | 737,000 | 326,000 | −411,000 | −56 |
| Nonfarm laborers | 922,000 | 340,000 | −582,000 | −63 |
| Farmers and farmworkers | 369,000 | 330,000 | −39,000 | −11 |

[2] Estimates based upon percentages set forth in BLS No. 332, p. 41.

Thus, upgrading the employment of Negro men to make their occupational distribution identical with that of the labor force as a whole would have an immense impact upon the nature of their occupations. About 1.3 million nonwhite men—or 28 percent of those employed in 1966—would move up the employment ladder into one of the higher-status and higher-paying categories. The effect of such a shift upon the incomes of Negro men would be very great. Using the 1966 job distribution, the shift indicated above would produce about $4.8 billion more earned income for nonwhite men alone if they received the 1965 median income in each occupation. This would be a rise of approximately 30 percent in the earnings actually received by all nonwhite men in 1965 (not counting any sources of income other than wages and salaries).

Of course, the kind of "instant upgrading" visualized in these calculations does not represent a practical alternative for national policy. The economy cannot drastically reduce the total number of low-status jobs it now contains, or shift large numbers of people upward in occupation in any short period. Therefore, major upgrading in the employment status of Negro men must come through a faster relative expansion of higher-level jobs than lower-level jobs (which has been occurring for several decades), an improvement in the skills of nonwhite workers so they can obtain a higher proportion of those added better jobs, and a drastic reduction of discriminatory hiring and promotion practices in all enterprises, both private and public.

Nevertheless, this hypothetical example clearly shows that the concentration of male Negro employment at the lowest end of the occupational scale is greatly depressing the incomes of United States Negroes in general. In fact, this is the single most important source of poverty among Negroes. It is even more important than unemployment, as can be shown by a second hypothetical calculation. In 1966, there were about 702,000 unemployed nonwhites in the United States on the average, including adults and teenagers, and allowing for the Census Bureau undercount of Negroes. If every one of these persons had been employed and had received the median amount earned by nonwhite males in 1966 ($3,864), this would have added a total of $2.7

billion to nonwhite income as a whole. If only enough of these persons had been employed at that wage to reduce nonwhite unemployment from 7.3 to 3.3 percent—the rate among whites in 1966—then the income gain for nonwhites would have totaled about $1.5 billion. But if nonwhite unemployment remained at 7.3 percent, and nonwhite men were upgraded so that they had the same occupational distribution and incomes as all men in the labor force considered together, this would have produced about $4.8 billion in additional income, as noted above (using 1965 earnings for calculation). Thus the potential income gains from upgrading the male nonwhite labor force are much larger than those from reducing nonwhite unemployment.

This conclusion underlines the difficulty of really improving the economic status of Negro men. It is far easier to create new jobs than either to create new jobs with relatively high status and earning power, or to upgrade existing employed or partly-employed workers into such better-quality employment. Yet only such upgrading will eliminate the fundamental basis of poverty and deprivation among Negro families.

Access to good-quality jobs clearly affects the willingness of Negro men actively to seek work. In cities with the largest percentage of Negroes in skilled and semi-skilled jobs, Negro men participate in the labor force to the same extent as, or greater than, white men. Conversely, where most Negro men were heavily concentrated in menial jobs, they participated less in the labor force than white men.

Even given similar employment, Negro workers with the same education as white workers are paid less. This disparity doubtless results to some extent from inferior training in segregated schools, and also from the fact that large numbers of Negroes are only now entering certain occupations for the first time. However, the differentials are so large and so universal at all educational levels that they clearly reflect the patterns of discrimination which characterize hiring and promotion practices in many segments of the economy. For example, in 1966 among persons who had completed high school, the median income of Negroes was only 73 percent that of whites. Even among persons with an eighth-grade education. Negro median income was only 80 percent of white median income.

At the same time, a higher proportion of Negro women than white women participates in the labor force at nearly all ages except 16 to 19. For instance, in 1966, 55 percent of nonwhite women from 25 to 34 years of age were employed, compared to only 38 percent of white women in the same age group. The fact that almost half of all adult Negro women work reflects the fact that so many Negro males have unsteady and low-paying jobs. Yet even though Negro women are often better able to find work than Negro men, the unemployment rate among adult nonwhite women (20 years old and over) in 1967 was 7.3 percent, compared to the 4.3 percent rate among adult nonwhite men.

Unemployment rates are, of course, much higher among teenagers, both Negro and white, than among adults; in fact about one-third of all unemployed Negroes in 1967 were between 16 and 19 years old. During the first nine months of 1967, the unemployment rate among nonwhite teenagers was 26.5 percent; for whites, it was 10.6 percent. About 219,300 nonwhite teenagers were unemployed.[3] About 58,300 were still in school but were actively looking for jobs.

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[3] After adjusting for Census Bureau undercounting.

### *Subemployment in Disadvantaged Negro Neighborhoods*

In disadvantaged areas, employment conditions for Negroes are in a chronic state of crisis. Surveys in low-income neighborhoods of nine large cities made by the Department of Labor late in 1966 revealed that the rate of unemployment there was 9.3 percent, compared to 7.3 percent for Negroes generally and 3.3 percent for whites. Moreover, a high proportion of the persons living in these areas were "underemployed," that is they were either part-time workers looking for full-time employment, or full-time workers earning less than $3000 per year, or had dropped out of the labor force. The Department of Labor estimated that this underemployment is two and one-half times greater than the number of unemployed in these areas. Therefore, the "subemployment rate," including both the unemployed and the underemployed, was about 32.7 percent in the nine areas surveyed, or 8.8 times greater than the overall unemployment rate for all U.S. workers. Since underemployment also exists outside disadvantaged neighborhoods, comparing the full subemployment rate in these areas with the unemployment rate for the nation as a whole is not entirely valid. However, it provides some measure of the enormous disparity between employment conditions in most of the nation and those prevalent in disadvantaged Negro areas in our large cities.

The critical problem is to determine the actual number of those unemployed and underemployed in disadvantaged Negro areas. This involves a process of calculation which is detailed in the note at the end of this chapter. The outcome of this process is summarized in the following table:

NONWHITE SUBEMPLOYMENT IN DISADVANTAGED AREAS OF ALL CENTRAL CITIES—1967

| Group | Unemployment | Underemployment | Total subemployment |
|---|---|---|---|
| Adult men | 102,000 | 230,000 | 332,000 |
| Adult women | 118,000 | 266,000 | 384,000 |
| Teenagers | 98,000 | 220,000 | 318,000 |
| Total | 318,000 | 716,000 | 1,034,000 |

Therefore, in order to bring subemployment in these areas down to a level equal to unemployment alone among whites, enough steady, reasonably-paying jobs (and the training and motivation to perform them) must be provided to eliminate all underemployment and reduce unemployment by 65 percent. For all three age groups combined, this "deficit" amounted to 923,000 jobs in 1967.

## THE MAGNITUDE OF POVERTY IN DISADVANTAGED NEIGHBORHOODS

The chronic unemployment problems in the central city, aggravated by the constant arrival of new unemployed migrants, is the fundamental cause of the persistent poverty in disadvantaged Negro areas.

"Poverty" in the affluent society is more than absolute deprivation. Many of the poor in the United States would be well-off in other societies. Relative deprivation—inequality—is a more useful concept of poverty with respect to the Negro in America because it encompasses social and political exclusion as well as economic inequality.

Because of the lack of data of this type, we have had to focus our analysis on a measure of poverty which is both economic and absolute—the Social Security Administration's "poverty level"[4] concept. It is clear, however, that broader measures of poverty would substantiate the conclusions that follow.

In 1966 there were 29.7 million persons in the United States—15.3 percent of the nation's population—with incomes below the "poverty level," as defined by the Social Security Administration. Of these, 20.3 million were white (68.3 percent), and 9.3 million nonwhite (31.7 percent). Thus, about 11.9 percent of the nation's whites and 40.6 percent of its nonwhites were poor under the Social Security definition.

The location of the nation's poor is best shown from 1964 data as indicated by the following table:

| Group | Percentage of those in poverty in each group living in— | | | Total |
|---|---|---|---|---|
| | Metropolitan areas | | Other areas | |
| | In central cities | Outside central cities | | |
| Whites | 23.8 | 21.8 | 54.4 | 100 |
| Nonwhites | 41.7 | 10.8 | 47.5 | 100 |
| Total | 29.4 | 18.4 | 52.2 | 100 |

Source: Social Security Administration.

The following facts concerning poverty are relevant to an understanding of the problems faced by people living in disadvantaged neighborhoods.[5]

- 30.7 percent of nonwhite families of two or more persons lived in poverty compared to only 8.8 percent of whites.
- Of the 10.1 million poor persons in central cities in 1964, about 4.4 million of these (43.6 percent) were nonwhites, and 5.7 million (56.4 percent) were whites. The poor whites were much older on the average than the poor nonwhites. The proportion of poor persons 65 years old or older was 23.2 percent among whites, but only 6.8 percent among nonwhites.
- Poverty was more than twice as prevalent among nonwhite families with female heads than among those with male heads, 57 percent compared to 21 percent. In central cities, 26 percent of all nonwhite families of two or more persons had female heads, as compared to 12 percent of white families.
- Among nonwhite families headed by a female, and having children under 6, the incidence of poverty was 81.0 percent. Moreover, there were 243,000 such families living in poverty in central cities—or over 9 percent of all nonwhite families in those cities.
- Among all children living in poverty within central cities, nonwhites outnumbered whites by over 400,000. The number of poor nonwhite children equalled or surpassed the number of white poor children in every age group.

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[4] Currently $3,335 per year for an urban family of four.
[5] Source: Social Security Administration based on 1964 data.

NUMBER OF CHILDREN LIVING IN POVERTY (MILLIONS)

| Age group | White | Nonwhite | Percent of total nonwhite |
|---|---|---|---|
| Under 6 | 0.9 | 1.0 | 53 |
| 6 to 15 | 1.0 | 1.3 | 57 |
| 16 to 21 | .4 | .4 | 50 |
| Total | 2.3 | 2.7 | 54 |

Two stark facts emerge:

- 54 percent of all poor children in central cities in 1964 were nonwhites;
- Of the 4.4 million nonwhites living in poverty within central cities in 1964, 52 percent were children under 16, and 61 percent were under 21.

Since 1964, the number of nonwhite families living in poverty within central cities has remained about the same; hence these poverty conditions are probably still prevalent in central cities in terms of absolute numbers of persons, although the proportion of persons in poverty may have dropped slightly.[6]

## THE SOCIAL IMPACT OF EMPLOYMENT PROBLEMS IN DISADVANTAGED NEGRO AREAS

### *Unemployment and the Family*

The high rates of unemployment and underemployment in racial ghettos are evidence, in part, that many men living in these areas are seeking but cannot obtain jobs which will support a family. Perhaps equally important, most jobs they can get are at the low end of the occupational scale, and often lack the necessary status to sustain a worker's self-respect, or the respect of his family and friends. These same men are also constantly confronted with the message of discrimination: "You are inferior because of a trait you did not cause and cannot change." This message reinforces feelings of inadequacy arising from repeated failure to obtain and keep decent jobs.

Wives of these men are forced to work, and usually produce more money. If men stay at home without working, their inadequacies constantly confront them and tensions arise between them and their wives and children. Under these pressures, it is not surprising that many of these men flee their responsibilities as husbands and fathers, leaving home, and drifting from city to city, or adopting the style of "street corner men."

Statistical evidence tends to document this. A close correlation exists between the number of nonwhite married women separated from their husbands each year and the unemployment rate among nonwhite males 20 years old and over. Similarly, from 1948 to 1962, the number of new Aid to Families with Dependent Children cases rose and fell with the nonwhite male unemployment rate. Since 1963, however, the number of new cases—most of them Negro children—has steadily increased even though the unemployment rate among nonwhite males has declined. The impact of marital status on employment among Negroes is shown by the fact that in 1967 the proportion of married men either divorced or separated from their wives was more than twice as high among unemployed nonwhite men as among employed nonwhite men. Moreover, among those participating in the labor force, there was a higher proportion of married men with wives present than with wives absent.

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[6] For the nation as a whole, the proportion of nonwhite families living in poverty dropped from 39 percent to 35 percent from 1964 to 1966 (defining "family" somewhat differently from the definition used in the data above). The number of such families declined from 1.9 million to 1.7 million. However, the number and proportion of all nonwhites living in central cities rose in the same period. As a result, the number of nonwhite families living in so-called "poverty areas" of large cities actually rose from 1,561,000 in 1960 to 1,588,000 in 1966.

UNEMPLOYMENT RATE AND PARTICIPATION IN TOTAL LABOR FORCE, 25- TO 54-YEAR-OLD NONWHITE MEN BY MARITAL STATUS, MARCH 1967

| | Unemployment rate nonwhite | Labor force participation (percent) nonwhite |
|---|---|---|
| Married, wife present | 3.7 | 96.7 |
| Other (separated, divorced, widowed) | 8.7 | 77.6 |

### *Fatherless Families*

The abandonment of the home by many Negro males affects a great many children growing up in the racial ghetto. As previously indicated, most American Negro families are headed by men, just like most other American families. Yet the proportion of families with female heads is much greater among Negroes than among whites at all income levels, and has been rising in recent years.

PROPORTION OF FAMILIES OF VARIOUS TYPES

[In percent]

| Date | Husband-wife | | Female head | |
|---|---|---|---|---|
| | White | Nonwhite | White | Nonwhite |
| 1950 | 88.0 | 77.7 | 8.5 | 17.6 |
| 1960 | 88.7 | 73.6 | 8.7 | 22.4 |
| 1966 | 88.8 | 72.7 | 8.9 | 23.7 |

This disparity between white and nonwhite families is far greater among the lowest income families—those most likely to reside in disadvantaged big-city neighborhoods—than among higher income families. Among families with incomes under $3,000 in 1966, the proportion with female heads was 42 percent for Negroes but only 23 percent for whites. In contrast, among families with incomes of $7,000 or more, 8 percent of Negro families had female heads compared to 4 percent of whites.

The problems of fatherless families are aggravated by the tendency of Negroes to have large families. This is characteristic of poor families genrally. The average poor, urban nonwhite family contains 4.8 persons, as compared with 3.7 for the average poor, urban white familiy. This is one of the primary factors in the poverty status of nonwhite households in large cities.

The proportion of fatherless families appears to be increasing in the poorest Negro neighborhoods. In the Hough section of Cleveland, the proportion of families with female heads rose from 23 to 32 percent from 1960 to 1965. In the Watts section of Los Angeles it rose from 36 to 39 percent during the same period.

The handicap imposed on children growing up without fathers, in an atmosphere of poverty and deprivation, is increased because many mothers must work to provide support. The following table illustrates the disparity between the proportion of nonwhite women in the child-rearing ages who are in the labor force and the comparable proportion of white women:

| Age group | Percentage of women in the labor force | |
|---|---|---|
| | Nonwhite | White |
| 20 to 24 | 55 | 51 |
| 25 to 34 | 55 | 38 |
| 35 to 44 | 61 | 45 |

With the father absent and the mother working, many ghetto children spend the bulk of their time on the streets—the streets of a crime-ridden, violence-prone and poverty-stricken world. The image of success in this world is not that of the "solid citizen," the responsible husband and father, but rather that of the "hustler" who takes care of himself by exploiting others. The dope sellers and the numbers runners are the "successful" men because their earnings far outstrip those men who try to climb the economic ladder in honest ways.

Young people in the ghetto are acutely conscious of a system which appears to offer rewards to those who illegally exploit others, and failure to those who struggle under traditional responsibilities. Under these circumstances, many adopt exploitation and the "hustle" as a way of life, disclaiming both work and marriage in favor of casual and temporary liaisons. This pattern reinforces itself from one generation to the next, creating a "culture of poverty" and an ingrained cynicism about society and its institutions.

### *The "Jungle"*

The culture of poverty that results from unemployment and family disorganization generates a system of ruthless, exploitative relationships within the ghetto. Prostitution, dope addiction, casual sexual affairs, and crime create an environmental jungle characterized by personal insecurity and tension. The effects of this development are stark:

- The rate of illegitimate births among nonwhite women has risen sharply in the past two decades. In 1940, 16.8 percent of all nonwhite births were illegitimate. By 1950 this proportion was 18 percent; by 1960, 21.6 percent; by 1966, 26.3 percent. In the ghettos of many large cities, illegitimacy rates exceed 50 percent.
- The rate of illegitimacy among nonwhite women is closely related to low income and high unemployment. In Washington, D.C., for example, an analysis of 1960 census tracts shows that in tracts with unemployment rates of 12 percent or more among nonwhite men, illegitimacy was over 40 percent. But in tracts with unemployment rates of 2.9 percent and below among nonwhite men, reported illegitimacy was under 20 percent. A similar contrast

existed between tracts in which median nonwhite income was under $4,000 (where illegitimacy was 38 percent) and those in which it was $8,000 and over (where illegitimacy was 11 percent).

- Narcotics addiction is also heavily concentrated in low-income Negro neighborhoods, particularly in New York City. Of the 59,720 addicts known to the U.S. Bureau of Narcotics at the end of 1966, just over 50 percent were Negroes. Over 52 percent of all known addicts lived within New York State, mostly in Harlem and other Negro neighborhoods. These figures undoubtedly greatly understate the actual number of persons using narcotics regularly—especially those under 21.
- Not surprisingly, at every age from 6 through 19, the proportion of children from homes with both parents present who actually attend school is higher than the proportion of children from homes with only one parent or neither present.
- Rates of juvenile delinquency, venereal disease, dependency upon AFDC support, and use of public assistance in general are much higher in disadvantaged Negro areas than in other parts of large cities. Data taken from New York City contrasting predominantly Negro neighborhoods with the city as a whole clearly illustrate this fact.

SOCIAL DISTRESS—MAJOR PREDOMINANTLY NEGRO NEIGHBORHOODS IN NEW YORK CITY AND THE CITY AS A WHOLE

| | Juvenile delinquency [7] | Venereal disease [8] | ADC [9] | Public assistance [10] |
|---|---|---|---|---|
| Brownsville | 125. 3 | 609. 9 | 459. 0 | 265. 8 |
| East New York | 98. 6 | 207. 5 | 148. 6 | 71. 8 |
| Bedford-Stuyvesant | 115. 2 | 771. 3 | 337. 1 | 197. 2 |
| Harlem | 110. 8 | 1, 603. 5 | 265. 7 | 138. 1 |
| South Bronx | 84. 4 | 308. 3 | 278. 5 | 165. 5 |
| New York City | 52. 2 | 269. 1 | 120. 7 | 60. 8 |

[7] Number of offenses per 1,000 persons 7 to 20 years (1965).
[8] Number of cases per 100,000 persons under 21 years (1964).
[9] Number of children in aid to dependent children cases per 1,000 under 18 years, using 1960 population as base 1965.
[10] Welfare assistance recipients per 1,000 persons, using 1960 population as base (1965).

In conclusion: in 1965, 1.2 million nonwhite children under 16 lived in central city families headed by a woman under 65. The great majority of these children were growing up in poverty under conditions that make them better candidates for crime and civil disorder than for jobs providing an entry into American society. Because of the immense importance of this fact—the potential loss to the society of these young people—we describe these conditions in the next chapter.

### NOTE—CALCULATION OF NONWHITE SUBEMPLOYMENT IN DISADVANTAGED AREAS OF ALL CENTRAL CITIES—1967

In 1967, total unemployment in the United States was distributed as follows, by age and color:

| Group | Nonwhite | White | Total |
|---|---|---|---|
| Adult men (20 and over) | 193, 000 | 866, 000 | 1, 059, 000 |
| Adult women (20 and over) | 241, 000 | 837, 000 | 1, 078, 000 |
| Teenagers (16 to 19) | 204, 000 | 635, 000 | 839, 000 |
| Total | 638, 000 | 2, 338, 000 | 2, 976, 000 |

Adjustment for the Census Bureau undercount of nonwhite males in the labor force amounting to 7.5 percent for the teenage group, 18 percent for the adult male group and approximately 10 percent for adult females result in the following revised total employment:

| Group | Nonwhite | White | Total |
|---|---|---|---|
| Adult men | 228,000 | 866,000 | 1,094,000 |
| Adult women | 265,000 | 837,000 | 1,102,000 |
| Teenagers | 219,000 | 635,000 | 854,000 |
| Total | 712,000 | 2,338,000 | 3,050,000 |

These figures cover the entire United States. To provide an estimate of the number of unemployed in disadvantaged neighborhoods within central cities, it is necessary to discover what proportion of the nonwhite unemployed are in central cities and what proportion of those in central cities are within the most disadvantaged neighborhoods. The Department of Labor survey in nine large central cities covering the first nine months of 1967 showed that these cities contained 27.3 percent of the total nonwhite labor force in the U.S., and 26.5 percent of total nonwhite unemployment. Hence, it is reasonable to assume that nonwhite unemployment is concentrated in central cities to about the same degree as the nonwhite labor force. In turn, the nonwhite labor force is located in central cities in about the same proportion as the nonwhite population, or 57.1 percent in 1967. Thus central city unemployment among nonwhites was presumably about 57.1 percent of the national figures:

*Nonwhite Unemployment in all Central Cities*†

| | |
|---|---|
| Adult men | 130,000 |
| Adult women | 151,000 |
| Teenagers | 125,000 |
| Total | 406,000 |

†Rounded.

Within large central cities, about 62 percent of all nonwhite families lived in certain Census Tracts which have been designated "poverty areas." These tracts ranked lowest in U.S. cities over 250,000 persons in size, according to an index of "deprivation" based upon family income, children in broken homes, persons with low educational attainment, males in unskilled jobs, and substandard housing. On the assumption that conditions in these poverty areas are comparable to those in the nine disadvantaged areas surveyed by the Department of Labor in 1966, the number of unemployed nonwhites in disadvantaged areas of central cities is as follows:*

*Nonwhite unemployment in disadvantaged areas of all central cities—1967*

| | |
|---|---|
| Adult men | 102,000 |
| Adult women | 118,000 |
| Teenagers | 98,000 |
| Total | 318,000 |

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*The number of nonwhite unemployed in the more disadvantaged areas was 26 percent higher than it would have been had it been proportional to the total population residing there. Therefore, the proportion of central city nonwhite unemployed in poverty areas is assumed to equal 78.4 percent (62 percent times 1.26).

The number of underemployed nonwhites in these areas was about 2.5 times larger than the number of unemployed. But we have already accounted for some underemployment in the adjustment for undercounting—so we will assume nonwhite underemployment was 2.25 times adjusted unemployment for all three age and sex groups. The resulting rough estimates are as follows:

* * * * * * *

NONWHITE SUBEMPLOYMENT IN DISADVANTAGED AREAS OF ALL CENTRAL CITIES—1967

| Group | Unemployment | Underemployment | Total subemployment |
|---|---|---|---|
| Adult men | 102,000 | 230,000 | 332,000 |
| Adult women | 118,000 | 266,000 | 384,000 |
| Teenagers | 98,000 | 220,000 | 318,000 |
| Total | 318,000 | 716,000 | 1,034,000 |

### *Expanded Employment by City Government of Ghetto Residents*

We strongly recommend that local government undertake a concerted effort to provide substantial employment opportunities for ghetto residents. Local governments now employ 6.4 million people full time, most of whom live in urban areas; they comprise one of the fastest growing segments of the economy. This offers an opportunity of the greatest significance for local government to respond to one of the most critical needs of ghetto residents and, at the same time, to decrease the distance between city hall and the ghetto by deliberate employment, training and upgrading of Negroes.

To accomplish this goal, we recommend that municipal authorities review applicable civil service policies and job standards and take prompt action to remove arbitrary barriers to employment of ghetto residents. Re-evaluation is particularly necessary with respect to requirements relating to employment qualification tests and police records. Leadership by city government in this vital area is of urgent priority, not only because of the important public employment potential, but also to stimulate private employers to take similar action.

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## CHAPTER 16.—THE FUTURE OF THE CITIES*

### INTRODUCTION

We believe action of the kind outlined in preceding pages can contribute substantially to control of disorders in the near future. But there should be no mistake about the long run. The underlying forces continue to gain momentum.

The most basic of these is the accelerating segregation of low-income, disadvantaged Negroes within the ghettos of the largest American cities.

By 1985, the 12.1 million Negroes segregated within central cities today will have grown to approximately 20.8 million—an increase of 72 percent.

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*Notes appear at end of chapter.

Prospects for domestic peace and for the quality of American life are linked directly to the future of these cities.

Two critical questions must be confronted: Where do present trends now lead? What choices are open to us?

## I. THE KEY TRENDS

### *Negro Population Growth**

The size of the Negro population in central cities is closely related to total national Negro population growth. In the past 16 years, about 98 percent of this growth has occurred within metropolitan areas, and 86 percent in the central cities of those areas.

A conservative projection of national Negro population growth indicates continued rapid increases. For the period 1966 to 1985, it will rise to a total of 30.7 million, gaining an average of 484,000 a year, or 7.6 percent more than the increase in each year from 1960 to 1966.

#### *Central Cities*

Further Negro population growth in central cities depends upon two key factors: in-migration from outside metropolitan areas, and patterns of Negro settlement within metropolitan areas.

From 1960 to 1966, the Negro population of all central cities rose 2.4 million, 88.9 percent of total national Negro population growth. We estimate that natural growth accounted for 1.4 million, or 58 percent of this increase, and in-migration accounted for 1 million, or 42 percent.

As of 1966, the Negro population in all central cities totaled 12.1 million. By 1985, we have estimated that it will rise 72 percent to 20.8 million. We believe that natural growth will account for 6 million of this increase and in-migration for 2.7 million.

Without significant Negro out-migration, then, the combined Negro populations of central cities will continue to grow by an average of 316,000 a year through 1985.

This growth would increase the proportion of Negroes to whites in central cities by 1985 from the present 20.6 percent to between an estimated 31 and 35.6 percent.

#### *Largest Central Cities*

These, however, are national figures. Much faster increases will occur in the largest central cities where Negro growth has been concentrated in the past two decades. Washington, D.C., and Newark are already over half Negro. A continuation of recent trends would cause the following 11 major cities to become over 50 percent Negro by the indicated dates:

| | |
|---|---|
| New Orleans | 1971 |
| Richmond | 1971 |
| Baltimore | 1972 |
| Jacksonville | 1972 |
| Gary | 1973 |
| Cleveland | 1975 |
| St. Louis | 1978 |
| Detroit | 1979 |
| Philadelphia | 1981 |
| Oakland | 1983 |
| Chicago | 1984 |

These cities, plus Washington, D.C. (now over 66 percent Negro), and Newark, contained 12.6 million people in 1960, or 22 percent of the total population of all 224 American central cities. All 13 cities undoubtedly will have Negro majorities by 1985, and the suburbs ringing them will remain largely all white, unless there are major changes in Negro fertility rates,* in-migration, settlement patterns or public policy.

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*Tables and explanations of the projections on which they are based appear at the end of the chapter.

Experience indicates that Negro school enrollment in these and other cities will exceed 50 percent long before the total population reaches that mark. In fact, Negro students already comprise more than a majority in the public elementary schools of 12 of the 13 cities mentioned above. This occurs because the Negro population in central cities is much younger and because a much higher proportion of white children attend private schools. For example, St. Louis' population was about 36 percent Negro in 1965; its public elementary school enrollment was 63 percent Negro. If present trends continue, many cities in addition to those listed above will have Negro school majorities by 1985, probably including:

Dallas
Pittsburgh
Buffalo
Cincinnati
Harrisburg
Atlanta
Louisville
Indianapolis
Kansas City, Mo.
Hartford
New Haven

Thus, continued concentration of future Negro population growth in large central cities will produce significant changes in those cities over the next 20 years. Unless there are sharp changes in the factors influencing Negro settlement patterns within metropolitan areas, there is little doubt that the trend toward Negro majorities will continue. Even a complete cessation of net Negro in-migration to central cities would merely postpone this result for a few years.

### *Growth of the Young Negro Population*

We estimate that the nation's white population will grow 16.6 million, or 9.5 percent, from 1966 to 1975, and the Negro population 3.8 million, or 17.7 percent, in the same period. The Negro age group from 15 to 24 years of age, however, will grow much faster than either the Negro population as a whole, or the white population in the same age group.

From 1966 to 1975, the number of Negroes in this age group will rise 1.6 million, or 40.1 percent. The white population aged 15 to 24 will rise 6.6 million, or 23.5 percent.

This rapid increase in the young Negro population has important implications for the country. This group has the highest unemployment rate in the nation, commits a relatively high proportion of all crimes, and plays the most significant role in civil disorders. By the same token, it is a great reservoir of underused human resources which are vital to the nation.

### *The Location of New Jobs*

Most new employment opportunities do not occur in central cities, near all-Negro neighborhoods. They are being created in suburbs and outlying areas—and this trend is likely to continue indefinitely. New office buildings have risen in the downtowns of large cities, often near all-Negro areas. But the out-flow of manufacturing and retailing facilities normally offsets this addition significantly—and in many cases has caused a net loss of jobs in central cities.

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*The fertility rate is the number of live births each year per 1,000 women aged 15 to 44.

Providing employment for the swelling Negro ghetto population will require society to link these potential workers more closely with job locations. This can be done in three ways: by developing incentives to industry to create new employment centers near Negro residential areas; by opening suburban residential areas to Negroes and encouraging them to move closer to industrial centers; or by creating better transportation between ghetto neighborhoods and new job locations.

All three involve large public outlays.

The first method—creating new industries in or near the ghetto—is not likely to occur without government subsidies on a scale which convinces private firms that it will pay them to face the problems involved.

The second method—opening up suburban areas to Negro occupancy—obviously requires effective fair housing laws. It will also require an extensive program of federally-aided, low-cost housing in many suburban areas.

The third approach—improved transportation linking ghettos and suburbs—has received little attention from city planners and municipal officials. A few demonstration projects show promise, but carrying them out on a large scale will be very costly.

Although a high proportion of new jobs will be located in suburbs, there are still millions of jobs in central cities. Turnover in those jobs alone can open up a great many potential positions for Negro central city residents—if employers cease racial discrimination in their hiring and promotion practices.

Nevertheless, as the total number of Negro central city jobseekers continues to rise, the need to link them with emerging new employment in the suburbs will become increasingly urgent.

### *The Increasing Cost of Municipal Services*

Local governments have had to bear a particularly heavy financial burden in the two decades since the end of World War II. All United States cities are highly dependent upon property taxes that are relatively unresponsive to changes in income. Consequently, growing municipalities have been hard-pressed for adequate revenues to meet rising demands for services generated by population increase. On the other hand, stable or declining cities have not only been faced with steady cost increases but also with a slow-growing, or even declining, tax base.

As a result of the population shifts of the post-war period, concentrating the more affluent parts of the urban population in residential suburbs while leaving the less affluent in the central cities, the increasing burden of municipal taxes frequently falls upon that part of the urban population least able to pay them.

Increasing concentrations of urban growth have called forth greater expenditures for every kind of public service: education, health, police protection, fire protection, parks, sewage disposal, sanitation, water supply, etc. These expenditures have strikingly outpaced tax revenues. The story is summed up below:

LOCAL GOVERNMENT REVENUES, EXPENDITURES AND DEBT

[In billions of dollars]

| | 1950 | 1966 | Increase |
|---|---|---|---|
| Revenues | 11.7 | 41.5 | +29.8 |
| Expenditures | 17.0 | 60.7 | +43.7 |
| Debt outstanding | 18.8 | 77.5 | +58.7 |

The fact that the problems of the cities are a national problem is seen in the growth of federal assistance to urban areas under various grant-in-aid programs, which reached the level of $10 billion in the current fiscal year.

Nevertheless, the fiscal plight of many cities is likely to grow even more serious in the future. Local expenditures inevitably will continue to rise steeply as a result of several factors, including the difficulty of increasing productivity in the predominantly service activities of local government, and the rapid technologically-induced increases in productivity in other economic sectors.

Traditionally, individual productivity has risen faster in the manufacturing, mining, construction, and agricultural sectors than in those involving personal services.

However, all sectors compete with each other for talent and personnel. Wages and salaries in the service-dominated sectors generally must keep up, therefore, with those in the capital-dominated sectors. Since productivity in manufacturing has risen about 2.5 percent per year compounded over many decades, and even faster in agriculture, the basis for setting costs in the service-dominated sectors has gone up, too.

In the postwar period, costs of the same units of output have increased very rapidly in certain key activities of local government. For example, education is the single biggest form of expenditure by local governments (including school districts), accounting for about 40 percent of their outlays. From 1947 to 1967, costs per pupil-day in United States public schools rose at a rate of 6.7 percent per year compounded—only slightly less than doubling every ten years.* This major costs item is likely to keep on rising rapidly in the future, along with other government services like police, fire, and welfare activities.

Some increases in productivity may occur in these fields, and some economies may be achieved through use of semi-skilled assistants such as police and teachers' aides. Nevertheless, with the need to keep pace with private sector wage scales, local government costs will keep on rising sharply.

This and other future cost increases are important to future relations between central cities and suburbs. Rising costs will inevitably force central cities to demand more and more assistance from the federal government. But the federal government can obtain such funds through the income tax only from other parts of the economy. Suburban governments are, meanwhile, experiencing the same cost increases along with the rising resentment of their constituents.

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*It is true that the average pupil-teacher ratio declined from 28 to about 25, and other improvements in teaching quality may have occurred. But they cannot account for anything approaching this rapid increase in costs.

## ON POPULATION GROWTH

1. The Census Bureau publishes four projections of future population growth based upon differing assumptions about future fertility rates (the fertility rate is the annual number of live births per 1,000 women aged 15 to 44). Series A assumes fertility rates similar to those prevalent from 1962 to 1966; Series B through D assume lower rates. Assuming that Negro fertility rates will continue to decline, we have used the average of Series C and D—which make the *lowest* assumptions about such rates. We have also converted the Census Bureau's non-white population projections into Negro projections by assuming Negroes will continue to comprise about 92 percent of all nonwhites. If, however, fertility rates remain at their present levels, then the total Negro population in 1985 would be 35.8 million rather than 30.7 million. The average annual rate of increase from 1966 to 1985 would be 753,000, rather than 484,000—55 percent higher.

The projection is as follows:

| Date | Total U.S. Negro population (in millions) | Negroes as percent of total U.S. population | Increase from the previous date shown | | |
|---|---|---|---|---|---|
| | | | Total increase | | Annual average |
| | | | Number (in millions) | Percent | |
| 1960 | *18.8 | 10.4 | — | — | — |
| 1966 | *21.5 | 10.9 | 2.7 | 14.4 | 450,000 |
| 1970 | 23.2 | 11.3 | 1.7 | 7.9 | 425,000 |
| 1975 | 25.3 | 11.6 | 2.1 | 9.1 | 420,000 |
| 1980 | 28.1 | 12.1 | 2.8 | 11.1 | 560,000 |
| 1985 | 30.7 | 12.4 | 2.6 | 10.9 | 520,000 |

*Actual.

2. The general concept of a metropolitan area is of an integrated, economic and social unit with a recognized large population nucleus. Statistically, it is called a Standard Metropolitan Statistical Area—one which contains at least one central city of at least 50,000 inhabitants. It covers the county of the central city and adjacent counties found to be economically and socially integrated with that county.

A Central City is the largest city of an SMSA and which gives the SMSA its name.

"Core city" or "inner city" is a popular expression sometimes meaning central city and sometimes meaning the central business district and densely populated downtown neighborhoods of generally poorer residents.

The array of statistical materials for metropolitan areas by "central city" and "outside central city" categories carries with it some dangers which can trap the unwary. The general proposition made in such displays is that the Negro population is concentrated in the central city and is kept out of the suburbs. Certainly this is true.

The danger arises from the inference which the reader may make about the character of "outside central city" and "suburb." "Outside central city" means the whole metropolitan area outside the city or cities whose names are given to the Standard Metropolitan Statistical Area. This is not a homogeneous, affluent, white-only collection of bedroom communities or housing developments. It is a wide-ranging assortment of these and more. Some are attractive communities with trees, grass and fresh air. Others are grimy, industrial towns with all the problems commonly associated with the central city. There are, in fact, 246 cities of over 25,000 "hidden" in the concept "outside central city." Seventy-seven of these had only 50,000 population in 1960. Many are white only or close to it. Many are not. Some even have higher proportions of Negroes to total population than the central cities of the metropolitan areas of which they are a part. Some of these cities are new. Some are old and have to fight the same battles against urban blight as the central cities of many metropolitan areas.

3. We have considered two projections of this population. The first projection assumes no further in-migration or out-migration of Negroes to or from central cities. This assumption is unrealistic, but it provides a measure of how much the central-city Negro population is likely to expand through natural increase alone. The second projection assumes that central cities will continue to contain 88.9 percent of all Negro population growth, as they did from 1960 to 1966.

| Date | Total U.S. central city Negro population (in millions) | |
|---|---|---|
| | Based on natural increase from the existing base only | Based on 88.9 percent of all future Negro growth in central cities |
| 1966 (actual) | 12.1 | 12.1 |
| 1970 | 13.8 | 14.5 |
| 1975 | 14.9 | 16.0 |
| 1980 | 16.3 | 18.5 |
| 1985 | 18.1 | 20.8 |

Thus, even assuming *no* Negro migration into central cities, the total Negro population would increase six million, 49.6 percent, by 1985. Under the more realistic assumption of both continued in-migration (at present rates) and natural growth, total Negro population of central cities would increase by 8.7 million Negroes, 72 percent.

4. We have arrived at these estimates by making three different assumptions about future white central city population shifts: (a) that it will remain constant at its 1966 level of 46.4 million; (b) that it will decline, as it did from 1960 to 1966, by an amount equal to half the increase in central-city Negro population. In all three cases, we assume that Negro central city population will continue to account for 88.9 percent of all Negro population growth. These projections embrace both estimates that are probably unrealistically high *and* low. The full projections are as follows:

[In percent]

| Date | Proportion of total Central City population Negro if— | | |
|---|---|---|---|
| | White population remains constant at 1966 level | White population declines at an absolute annual rate equal to— | |
| | | ½ Negro population gains | Total Negro population gains |
| 1966 (actual) | 20.6 | 20.6 | 20.6 |
| 1975 | 25.6 | 26.4 | 27.3 |
| 1985 | 31.0 | 33.1 | 35.6 |

The first assumption requires a rise in total central-city population from 58.5 million in 1966 to 67.2 million in 1985. Since many of the largest central cities are already almost fully developed, so large an increase is probably unrealistic. On the other hand, the third assumption involves no change in the 1966 central city population figure of 58.5 million. This may be unrealistically low. But in any event, it seems likely that continued concentration will cause the total proportion of Negroes in central cities to reach at least 25 percent by 1975 and 31 percent by 1985.

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## CHAPTER 17.—RECOMMENDATIONS FOR NATIONAL ACTION

### INTRODUCTION

The Commission has already addressed itself to the need for immediate action at the local level. Because the city is the focus of racial disorder, the immediate responsibility rests on community leaders and local institutions. Without responsive and representative local government, without effective processes of interracial communication within the city, and without alert, well-trained and adequately supported local police, national action—no matter how great its scale—cannot be expected to provide a solution.

Yet the disorders are not simply a problem of the racial ghetto or the city. As we have seen, they are symptoms of social ills that have become endemic in our society and now affect every American—black or white, businessmen or factory worker, suburban commuter or slum dweller.

None of us can escape the consequences of the continuing economic and social decay of the central city and the closely related problem of rural poverty. The convergence of these conditions in the racial ghetto and the resulting discontent and disruption threaten democratic values fundamental to our progress as a free society.

The essential fact is that neither existing conditions nor the garrison state offer acceptable alternatives for the future of this country. Only a greatly enlarged commitment to national action—compassionate, massive and sustained, backed by the will and resources of the most powerful and the richest nation on this earth—can shape a future that is compatible with the historic ideals of American society.

It is this conviction that leads us, as a Commission on Civil Disorders, to comment on the shape and dimensions of the action that must be taken at the national level.

In this effort we have taken account of the work of scholars and experts on race relations, the urban condition and poverty. We have studied the reports and work of other commissions, of congressional committees and of many special task forces and groups both within the government and within the private sector.

#### *Financing the Cost*

The Commission has also examined the question of financing; although there are grave difficulties, we do not regard them as insoluble. The nation has substantial financial resources—not enough to do everything some might wish, but enough to make an important start on reducing our critical "social deficit," in spite of a war and in spite of current requirements.

The key factors having a bearing on our ability to pay for the cost are the great productivity of the American economy, and a Federal revenue system which is highly responsive to economic growth. In combination, these produce truly astounding automatic increases in Federal budget receipts, provided only that the national economy is kept functioning at capacity, so that actual national income expands in line with potential.

These automatic annual increases—the "fiscal dividend"—from the Federal revenue system range from $11 to $14 billion under conditions of steady economic growth.

The tax surcharge requested by the President would add about $19 billion to a total fiscal dividend of about $28.5 billion over a two-year period.

While competing demands are certain to grow with every increase in federal revenues, so that hard choices are inevitable, these figures demonstrate the dimension of resources—apart from changes in tax rates—which this country can generate.

### *Federal Program Coordination*

The spectacle of Detroit and New Haven engulfed in civil turmoil despite a multitude of federally-aided programs raised basic questions as to whether existing "delivery system" is adequate to the bold new purposes of national policy. Many who voiced these concerns overlooked the disparity between the size of the problems at which the programs are aimed and the level of funding provided by the federal government.

Yet there is little doubt that the system through which federal programs are translated into services to people is a major problem in itself. There are now over 400 grant programs operated by a broad range of federal agencies and channeled through a much larger array of semi-autonomous state and local government entities. Reflective of this complex scheme, federal programs often seem self-defeating and contradictory: field officials unable to make decisions on their own programs and unaware of related efforts; agencies unable or unwilling to work together; programs conceived and administered to achieve different and sometimes conflicting purposes.

The new social development legislation has put great strain upon obsolescent machinery and administrative practices at all levels of government. It has loaded new work on federal departments. It has required a level of skill, a sense of urgency, and a capacity for judgment never planned for or encouraged in departmental field offices. It has required planning and administrative capacity rarely seen in statehouses, county courthouses and city hall.

Deficiencies in all of these areas have frustrated accomplishment of many of the important goals set by the President and the Congress.

In recent years serious efforts have been made to improve program coordination. During the 1961–1965 period, almost 20 executive orders were issued for the coordination of federal programs involving intergovernmental administration. Some two dozen interagency committees have been established to coordinate two or more federal aid programs. Departments have been given responsibility to lead others in areas within their particular competence—OEO, in the poverty field, HUD in Model Cities. Yet, despite these and other efforts, the Federal Government has not yet been able to join talent, funds and programs for concentrated impact in the field. Few agencies are able to put together a comprehensive package of related programs to meet priority needs.

There is a clear and compelling requirement for better coordination of federally funded programs, particularly those designed to benefit the residents of the inner city. If essential programs are to be preserved and expanded, this need must be met.

### *The Commission's Recommendations*

We do not claim competence to chart the details of programs within such complex and interrelated fields as employment, welfare, education and housing. We do believe it is essential to set forth goals and to recommend strategies to reach these goals.

That is the aim of the pages that follow. They contain our sense of the critical priorities. We discuss and recommend programs not to commit each of us to specific parts of such programs but to illustrate the type and dimension of action needed.

Much has been accomplished in recent years to formulate new directions for national policy and new channels for national emergency. Resources devoted to social programs have been greatly increased in many areas. Hence, few of our program suggestions are entirely novel. In some form, many are already in effect.

All this serves to underscore our basic conclusion: the need is not so much for the government to design new programs as it is for the nation to generate new will. Private enterprise, labor unions, the churches, the foundations, the universities—all our urban institutions—must deepen their involvement in the life of the city and their commitment to its revival and welfare.

### *Objectives for National Action*

Just as Lincoln, a century ago, put preservation of the Union above all else, so should we put creation of a true union—a single society and a single American identity—as our major goal. Toward that goal, we propose the following objectives for national action:

- Opening up opportunities to those who are restricted by racial segregation and discrimination, and eliminating all barriers to their choice of jobs, education and housing.
- Removing the frustration of powerlessness among disadvantaged by providing the means for them to deal with the problems that affect their own lives, and by increasing the capacity of our public and private institutions to respond to these problems.
- Increasing communication across racial lines to destroy stereotypes, to halt polarization, to end distrust and hostility, and to create common ground for efforts toward common goals of public order and social justice.

There are those who oppose these aims as "rewarding the rioters." They are wrong. A great nation is not so easily intimidated. We propose these aims to fulfill our pledge of equality and to meet the fundamental needs of a democratic civilized society—domestic peace, social justice, and urban centers that are citadels of the human spirit.

There are others who say that violence is necessary—that fear alone can prod the nation to act decisively on behalf of racial minorities. They too are wrong. Violence and disorder compound injustice; they must be ended and they will be ended.

Our strategy is neither blind repression nor capitulation to lawlessness. Rather it is the affirmation of common possibilities, for all, within a single society.

## I. EMPLOYMENT

### *Introduction*

Unemployment and underemployment are among the persistent and serious grievances of disadvantaged minorities. The pervasive effect of these conditions on the racial ghetto is inextricably linked to the problem of civil disorder.

In the Employment Act of 1946, the United States set a national goal of a useful job at a reasonable wage for all who wish to work. Federal expenditures for manpower development and training have increased from less than $60 million in 1963 to $1.6 billion in 1968. The President has proposed a further increase to $2.1 billion in 1969 to provide work experience, training and supportive services for 1.3 million men and women. Despite these efforts, and despite sustained general economic prosperity and growing skill demands of automated industry, the goal of full employment has become increasingly hard to attain.

Today there are about two million unemployed, and about ten million underemployed, 6.5 million of whom work full time and earn less than the annual poverty wage.

The most compelling and difficult challenge is presented by some 500,000 "hard-core" unemployed who live within the central cities, lack a basic education, work not at all or only from time to time, and are unable to cope with the problems of holding and performing a job. A substantial part of this group is Negro, male, and between the ages of approximately 18 and 25. Members of this group are often among the initial participants in civil disorders.

A slum employment study by the Department of Labor in 1966 showed that, as compared with an unemployment rate for all persons in the United States of 3.8 percent, the unemployment rate among 16 to 19 year-old nonwhite males was 26.5 percent, and among 16 to 24 year-old nonwhite males 15.9 percent. Data collected by the Commission in cities where there were racial disorders in 1967 indicate that Negro males between the ages of 15 and 25 predominated among the rioters. More than 20 percent of the rioters were unemployed; and many of those who were employed worked in intermittent, low status, unskilled jobs—jobs which they regarded as below their level of education and ability.

In the riot cities which we surveyed, Negroes were three times as likely as whites to hold unskilled jobs, which are often part time, seasonal, low-paying, and "dead end"—a fact that creates a problem for Negroes as significant as unemployment.

### *Goals and Objectives*

We propose a comprehensive national manpower policy to meet the needs of both the unemployed and the underemployed. That policy will require:

(*a*) Continued emphasis on national economic growth and job creation so that there will be jobs available for those who are newly trained, without displacing those already employed.

(*b*) Unified and intensive recruiting to reach those who need help with information about available jobs, training and supportive aids.

(*c*) Careful evaluation of the individual's vocational skills, potentials and needs; referral to one or more programs of basic education, job training and needed medical, social and other services; provision for transportation between the ghetto and outlying employment areas, and continued follow-up on the individual's progress until he no longer needs help.

(*d*) Concentrated job training efforts, with major emphasis on on-the-job training by both public and private employers, as well as public and private vocational schools and other institutional facilities.

(*e*) Opening up existing public and private job structures to provide greater upward mobility for the underemployed, without displacing anyone already employed at more advanced levels.

(*f*) Large-scale development of new jobs in the public and private sectors to absorb as many as possible of the unemployed, again without displacement of the employed.

(*g*) Stimulation of public and private investment in depressed areas, both urban and rural, to improve the environment, to alleviate unemployment and underemployment and, in rural areas, to provide for the poor alternatives other than migration to large urban centers.

(*h*) New kinds of assistance for those who will continue to be attracted to the urban centers, both before and after they arrive.

(*i*) Increasing small business and other entrepreneurial opportunities in poverty areas, both urban and rural.

### *Basic Strategies*

To achieve these objectives, we believe the following basic strategies should be adopted:

- Existing programs aimed at recruiting, training and job development should be consolidated according to the function they serve at the local, state and federal levels, to avoid fragmentation and duplication.

We need comprehensive and focused administration of a unified group of manpower programs.

- High priority should be placed on the creation of new jobs in both the public and private sectors.

In the public sector a substantial number of such jobs can be provided quickly, particularly by government at the local level, where there are vast unmet needs in education, health, recreation, public safety, sanitation, and other municipal services. The National Commission on Technology, Automation, and Economic Progress estimated that there are 5.3 million potential jobs in public service. But the more difficult task is to provide jobs in private industry for the hard-core unemployed. Both strategies must be pursued simultaneously, with some arrangements for a flow of trainees from public sector jobs to on-the-job training in private companies.

- Creation of jobs for the hard-core unemployed will require substantial payments to both public and private employers to offset the extra costs of supportive services and training.

Basic education and counseling in dress, appearance, social relationships, money management, transportation, hygiene and health, punctuality, and good work habits—all of which employers normally take for granted—may have to be provided. Productivity may be low for substantial periods.

- Special emphasis must be given to motivating the hard-core unemployed.

A sure method for motivating the hard-core unemployed has not yet been devised. One fact, however, is already clear from the experience of the Job Corps, Neighborhood Youth Corps, and Manpower Development and Training projects: the previously hard-core unemployed trainee or employee must believe that he is not being trained for or offered a "dead-end" job. Since, by definition, he is not eligible even for an entry-level position, he must be given job training. He must be convinced that, if he performs satisfactorily after the training period he will be employed and given an opportunity to advance, if possible, on a clearly defined "job ladder," with step increases in both pay and responsibility.

- Artificial barriers to employment and promotion must be removed by both public agencies and private employers.

Racial discrimination and unrealistic and unnecessarily high minimum qualifications for employment or promotion often have the same prejudicial effect. Government and business must consider for each type of job whether a criminal record should be a bar, or whether a high school diploma is an inflexible requirement. During World War II, industry successfully employed large numbers of the previously unemployed and disadvantaged by lowering standards and by restructuring work patterns so that the job fit the level of available skills. We believe that too often government, business and labor unions fail to take into account innate intelligence and aptitudes which are not measurable.

Present recruitment procedures should be reexamined. Testing procedures should be revalidated or replaced by work sample or actual job tryouts. Applicants who are rejected for immediate training or employment should be evaluated and counseled by company personnel officers and referred to either company or public remedial programs. These procedures have already been initiated in the steel and telephone industries.

- Special training is needed for supervisory personnel.

Support needed by the hard-core unemployed during initial job experience must be provided by specially-trained supervisors. A new program of training entry-level supervisors should be established by management, with government assistance if necessary.

### *Programs*

We are proposing programs in six areas in order to illustrate how we believe the basic strategies we have outlined can be put into effect:

- Consolidating and concentrating employment efforts.
- Opening the existing job structure.
- Creating one million new jobs in the public sector in three years.
- Creating one million new jobs in the private sector in three years.

- Developing urban and rural poverty areas.
- Encouraging business ownership in the ghetto.
- Consolidating and concentrating employment efforts.

### *Recruitment*

There is an urgent need for a comprehensive manpower recruitment and services agency at the community level. The Federal-State Employment Service is not serving this function in many urban areas and cannot do so unless it is substantially restructured and revitalized. This was recommended in 1965 by the Employment Service Task Force but has been only partially achieved by the Employment Services' new Human Resources Development Program.

We believe that every city should establish such a comprehensive agency, with authority to direct the coordination of all manpower programs, including those of the Employment Service, the community action agencies, and other local groups.

The Concentrated Employment Program established by the Department of Labor last year and now operating in the ghettos of 20 cities and in two rural areas is an important beginning toward a unified effort at the local level. A related effort by the Department of Housing and Urban Development is under way in the Model Cities Program, now in the planning stage in some 63 cities.

### ***Placement***

In order to match men to jobs, we need more effective interchange of information. A computerized nationwide service should be established, as recommended in 1966 by the National Commission on Technology, Automation, and Economic Progress, with priority of installation given to the large urban centers.

An information system of this sort would simplify placement—including inter-area placement and placement from ghetto to suburb. This in turn will often require transportation assistance and counseling.

The existing experimental mobility program, under the Manpower Development and Training Act, should be greatly expanded, and should support movement from one part of a metropolitan area to another. Aid to local public transportation under the Mass Transportation Program should be similarly expanded on the basis of the experiment, with subsidies for routes incorporating ghetto areas.

Job development and placement in private industry is critical to our proposed strategies, and is now handled separately by a variety of agencies and programs: the Manpower Development and Training Act program, the vocational education programs, the Vocational Rehabilition program, the Job Corps and, recently, the Neighborhood Youth Corps and several new adult work experience and training programs. All seek to place trainees with private employers, sometimes with and sometimes without training assistance, through a wide variety of local agencies, as well as through the Employment Service, community action agencies and others.

A single cooperative national effort should be undertaken with the assistance of business, labor and industrial leaders at national, regional and local levels. It should reach both individual companies and trade associations, systematically and extensively, with information about incentive programs and aids, and with authority to negotiate contractual arrangements and channel incentive funds to private employers.

The recently created Urban Coalition, with its local affiliates, brought together many of the interested parties in the private sector. The National Alliance of Businessmen just established by the President will be concentrating private industry efforts in on-the-job training of the hard-core unemployed. We believe that it may be helpful now to create a federally-chartered corporation with authority to undertake the coordination of the private sector job program outlined below.

### *Opening the Existing Job Structure*

Arbitrary barriers to employment and promotion must be eliminated.

Federal, state and local efforts to ensure equal opportunity in employment should be strengthened by:

(*a*) Including federal, state and local government agencies as employers covered by Title VII of the 1964 Civil Rights Act, the federal anti-discrimination-in-employment law, which now covers other employers of 50 or more employees (and as of July, 1968 will cover employers of 25 or more employees), labor unions, and employment agencies.

(*b*) Granting to the Equal Employment Opportunity Commission, the federal enforcement agency under Title VII, cease and desist power comparable to the enforcement power now held by other federal agencies administering regulatory national policies.

(*c*) Increasing technical and other assistance now provided through the Equal Employment Opportunity Commission to state and local anti-discrimination commissions under the provisions of Title VII.

(*d*) Undertaking, through the Equal Employment Opportunity Commission, an industry and areawide enforcement effort based not only upon individual complaints but upon employer and union reports showing broad patterns of discrimination in employment and promotion.

(*e*) Linking enforcement efforts with training and other aids to employers and unions, so that affirmative action to hire and promote may be encouraged in connection with investigations of both individual complaints and charges of broad patterns of discrimination.

(*f*) Substantially increasing the staff and other resources of the Equal Employment Opportunity Commission to enable it to perform effectively these additional functions.

Equal opportunity for employment by federal contractors under Executive Order 11246 should be enforced more vigorously against both employers and unions. This is particularly critical in regard to federal construction contracts. Staff and other resources of the Office of Contract Compliance in the Department of Labor should be increased so that withholding federal contracts is made a meaningful sanction.

The efforts of the Department of Labor to obtain commitments from unions to encourage Negro membership in apprenticeship programs are especially noteworthy and should be intensified.

Title VI of the 1964 Civil Rights Act, which provides for withholding federal grant-in-aid funds from activities which discriminate on grounds of color or race, should be supported fully, particularly in regard to recruitment for federally-assisted job training in hospitals, universities, colleges and schools. The staff and other resources of the Department of Health, Education, and Welfare, which has primary jurisdiction over these functions, should be expanded for this purpose.

The federal government, through the Civil Service Commission and other agencies, should undertake programs of recruitment, hiring and on-the-job training of the disadvantaged and should reexamine and revalidate its minimum employment and promotion standards. In this regard the federal government should become a model for state and local government and the private business community. To enlist the full cooperation of federal agencies, they should be reimbursed by internal allowances for the extra costs of training disadvantaged employees.

One way to improve the condition of the under-employed, on a national basis, would be to increase the federal minimum wage and widen its coverage. The recent increase to $1.60 per hour yields an annual wage only slightly above the poverty level and only for those employed full time. As an alternative, we recommend consideration be given to an experimental program of wage supplements or other methods for achieving the same income goals.

### *Creating One Million New Jobs in the Public Sector in three years*

Existing public employment programs should be consolidated and substantially increased. The Neighborhood Youth Corps last year involved approximately 300,000 youths between the ages of 14 and 22 in three programs of work experience. NYC offers either full-time positions year-round or during the summer, or part-time positions during the school year. Several similar but considerably smaller public employment programs involve chronically unemployed adults, generally in subprofessional community betterment work: Operation Mainsteam in small towns and rural areas; New Careers and Special Impact in urban areas; and Work Experience and Training for Welfare recipients under the 1967 Amendments to Title IV of the Social Security Act.

Emphasis in the expanded public employment programs should be shifted, so far as possible, from work experience to on-the-job training, and additional federal assistance, above the present payment of 90 percent of wages, should be provided to pay for the additional costs of training and supportive services to trainees. Federal assistance should be scaled so that it does not terminate abruptly; the public employer should pay a progressively larger share of the total cost as trainees productivity increases.

Emphasis should also be placed on employing trainees to improve run-down neighborhoods and to perform variety of other socially useful public services which are not "make-work," including Community Service Officers in police departments, as recommended by the President's Commission on Law Enforcement and Administration of Justice.

Public employers should be required to pay on-the-job trainees not less than the minimum wage of the prevailing wage in the area for similar work, whichever is higher. We recommend a three-year program, aimed at creating 250,000 new public service jobs in the first year and a total of one million such jobs over the three-year period.

The Department of Defense should (a) continue its emphasis on (and consider expansion of) "Project 100,000" under which it accepts young men with below standard test scores; (b) intensify its recruiting efforts in areas of high unemployment so that young men living there are fully aware of the training and service opportunities open to them and (c) substantially expand Project Transition which began on a pilot basis in 1967 and involves training and counseling for servicemen scheduled to return to civilian life.

### *Creating One Million New Jobs in the Private Sector in Three Years*[1]

Eighty-four percent of the nation's 73 million civilian workers are at work in 11.5 million private enterprises. The involvement of only 5 percent of all private companies would represent the use of more than 500,000 enterprises and provide a massive additional spur to job developments.

Based on experience with training by private employers, primarily under the Manpower Development and Training Act, our recommendations are aimed at inducing a substantially expanded number of companies to hire and train the hard-core unemployed.

Recruitment and referral of the disadvantaged unemployed should be undertaken by a public body such as the manpower service agency we have already described. The manpower service agency would determine eligibility and certify a chronically unemployed person for on-the-job training by issuing to him a certificate of eligibility or similar indentifying document. This would entitle the private employer to reimbursement for certain costs. A similar technique was used under the G.I. Bill for training veterans of World War II and the Korean conflict.

The direct reimbursement system currently used in on-the-job training programs should be expanded and the existing programs should be consolidated under a single administration. These programs include the Manpower Development and Training Act and the new Work Training in Industry components of the Neighborhood Youth Corps, New Careers and Special Impact programs. Under these programs a federal agency contracts to reimburse each employer for a negotiated average cost of training and supportive services for each trainee.

If a corporation is chartered by Congress to serve as the government's primary instrument for job development in the private sector, the corporation, through regional and local subsidiaries, would:

(a) systematically work with trade groups, companies and labor unions;

(b) arrange for any necessary supportive services and prevocational educational training which employers are unable to provide; and

(c) enter into contracts with employers providing for their reimbursement for the extra costs of training.

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[1] The text of the report to the Commission by its Private Enterprise Task Force is set forth as an appendix to this Report.

The employer would of course undertake not to dismiss existing employees in order to hire trainees; to provide job training along with supportive services: and to give reasonable assurance that the employee would be fairly promoted if he successfully completed his training period.

To serve as an incentive to widespread business involvement the average amount of the reimbursement must exceed substantially the approximately $1,000 per year payment now made under federal on-the-job training programs and, for the hard-core unemployed, should at least equal the $3,500 recommended by the President in his Manpower Message of January 23, 1968.

An additional and potentially lower cost method of stimulating on-the-job training and new job creation for the hard-core unemployed is through a tax credit system, provided that guidelines are adopted to ensure adequate training and job retention. The Commission believes this alternative holds promise. With respect to the tax credit device, we note that since its enactment in 1962 the existing 7 percent incentive credit for investment in new equipment and machinery has been highly successful as a technique for reaching a large number of individual enterprises to effectuate a national policy. During the 1962–65 period the credit was taken on 1,239,000 corporate tax returns representing new investment in the amount of approximately $75 billion.

To assure comparable simplicity in administration, the tax credit should be geared to a fixed amount for each certificated employee hired and retained at least for a six-month period, with decreasing credits for retention for additional periods totaling another 18 months. No credit would be allowed if existing employees are displaced, or if the turnover rate among certificated employees during each period exceeds more than twice the employer's usual turnover rate.

The corporation chartered by Congress would establish performance guidelines, compare and evaluate the results of job training operations by contract and under the tax credit and arrange to share with all participating employers the experiences of other companies with techniques for training the hard-core unemployed and holding them on the job.

The Commission recommends a three-year program, aimed at creating 300,000 new private sector jobs in the first year and a total of one million such jobs over the three-year period, provided that the tax credit is enacted at an early date. If the tax credit is not so enacted, a realistic goal would be 150,000 such jobs in the first year and one million jobs over a three to five-year period.

### *Developing Urban and Rural Poverty Areas*[2]

A tax credit should also be provided for the location and renovation of plants and other business facilities in urban and rural "poverty areas," as already defined jointly by several federal departments and agencies.

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[2] The Commission invites particular attention to Chapters 3 and 4 of "The People Left Behind," a Report by the President's National Advisory Commission on Rural Poverty, September, 1967.

The existing incentive tax credit for investment in new equipment (but not for real property or plant) is available without regard to where the investment is made. For investment in poverty areas, the existing credit should be increased substantially and extended to investments in real property and plant, whether for the construction of a new plant or the acquisition of an existing facility. Plant and equipment in these areas should also be eligible for rapid amortization, within as little as five years.

These incentives would be designed to attract to the poverty areas the kind of industrial and commercial development which would create new jobs and provide other economic benefits for the disadvantaged community surrounding the enterprise. An employer eligible for the poverty area investment credit would also be eligible—if he employed certificated trainees—for the hard-core employment credit. The two credits are designed to meet separate needs and different costs to investors and employers.

To begin an intensified national effort to improve rural economic conditions and to stem the flow of migration from these areas to large urban centers, the new investment credit should also be available for firms investing or expanding in rural poverty areas.

The authority and the resources of the economic development administration should be enlarged to enable it to expand its operations into urban poverty areas on a substantial scale.

### *Encouraging Business Ownership in the Ghetto*

We believe it is important to give special encouragement to Negro ownership of business in ghetto areas. The disadvantaged need help in obtaining managerial experience and in creating for themselves a stake in the economic community. The advantages of Negro entrepreneurship also include self-employment and jobs for others.

Existing Small Business Administration equity and operating loan programs, under which almost 3,500 loans were made during fiscal year 1967, should be substantially expanded in amount, extended to higher risk ventures and promoted widely through offices in the ghetto. Loans under Small Business Administration guarantees, which are now authorized, should be actively encouraged among local lending institutions.

Counseling and managerial assistance should also be provided. The new Department of Commerce program under which Negro small businessmen are assisted in creating associations for pooling purchasing power and sharing experience, should be expanded and consolidated with the Small Business Administration loan program. The Interracial Council for Business Opportunity and other private efforts to provide counseling by successful businessmen outside the ghetto should be supported and enlarged.

## APPENDIX H: REPORT TO THE COMMISSION BY THE ADVISORY PANEL ON PRIVATE ENTERPRISE, JANUARY 29, 1968

THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS,
*Washington, D.C., January 29, 1968.*

### REPORT TO THE COMMISSION
### BY THE
### ADVISORY PANEL ON PRIVATE ENTERPRISE

At the request of the Commission, we have considered the appropriate role of the profit-making free enterprise system in helping to alleviate the causes of civil disorders, which are the subject of the Commission's work. In our meetings and deliberations during the past two months we have taken as our starting point the evidence presented to the Commission on the causes of the disorders and the alternative courses of action which might be pursued to deal with those causes. We have also sought the advice of representative members of the business community and others both within and outside of government.

*We conclude that maximum ultilization of the tremendous capability of the American free enterprise system is a crucial element in any program for improving conditions, in both our urban centers and our rural poverty areas, which have brought us to the present crisis.*

The maintenance of public order is primarily the responsibility of the public sector, but the private sector is the mainspring of the national economy and consequently of the economic well-being of our citizens. Free enterprise, with its system of incentives and rewards for hard work, ability, ingenuity and creativity, has made this nation strong and produced the highest standard of living the world has ever known. Under the spur of competition, the discipline of business management produces maximum benefit from the funds and other resources available.

More than eighty-five percent of the current annual gross national product of over 800 billion dollars is attributable to the private business sector. Eighty-four percent of the nation's 73 million civilian workers are employed by 11.5 million separate private, profit-making employers, of which more than 1.3 million are corporations. Even five percent of the total number of private employers would represent more than 500,000 enterprises. The involvement of even that number would constitute a massive, pluralistic and truly national approach to the national problem of civil disorder and the closely related problem of chronic unemployment and underemployment, particularly among Negroes.

For these reasons the nation in the past has repeatedly relied upon the private sector to assist in solving complex national problems. In the field of defense, contracts with private companies for materiel, supplies and services amounted to 34 billion dollars in fiscal year 1966. In the exploration of outer space, contracts of the National Aeronautics and Space Administration with private companies amounted to more than four billion dollars in fiscal year 1966.

This concept that the private sector must also be involved in overcoming the challenge of racial ghettos in urban areas and poverty in rural areas is now widely accepted, both within and outside the government. In his State of the Union Message on January 17, 1968, the President called for "a new partnership between government and private industry to train and to hire the hard-core unemployed persons." The Congress has made similar declarations in a number of acts, including the Economic Opportunity Act, the basic charter of the War on Poverty.

Dr. Kenneth B. Clark, the eminent Negro psychologist and educator who testified before the Commission, stated in a recent article in answer to the question "What role can business play in finding answers to rioting?":

> Business and industry are our last hope. They are the most realistic elements of our society. Other areas in our society—government, education, churches, labor—have defaulted in dealing with Negro problems.

No fewer than thirty of the witnesses who have appeared before the Commission referred to a role for the private sector in meeting those urban problems which contribute to civil disorder.

*We believe that these widely-shared sentiments about the role of the business community are more than mere rhetoric. The private sector has shown its concern and capacity for making a contribution in the fields relevant to the urban crisis.* In many cases it has done so in collaboration with government, and in many cases it has done so entirely independently of government. A partnership of profit-making businesses and local governments, organized labor, and religious groups has recently been organized in The Urban Coalition, and there are numerous examples of involvement by individual companies in useful projects of various types.

Some of the areas in which there is evidence that the private sector could make a contribution are:

*Job Training and Employment:* The on-the-job training program under the Manpower Development and Training Act of 1962 has involved more than two thousand private employers. The Job Corps has involved more than 20 private companies as managers of urban training centers. Numerous similar undertakings by private companies have been catalogued by the National Association of Manufacturers as part of its STEP (Solutions to Employment Problems) program, a national clearinghouse for such endeavors; and by the National Industrial Conference Board in the proceedings of its conference on "Corporate Urban Programs—An Investment in Economic Progress and Social Order," held on January 10, 1968, in New York City.

*Housing:* Joint ventures with public housing authorities to reconstruct low-income apartments, housing development corporations to receive industrial and banking investments, and "instant renewal," utilizing prefabricated units, have been pioneered by a number of companies.

*Economic Development:* A consortium of seven of the largest life insurance companies has been created to extend loans in ghetto areas where investment risks were previously considered too great. Several companies have established plants in various poverty areas to employ and train local residents. "Operation Bootstrap" through tax and other incentives, has drawn some 600 companies into investments in new plants in Puerto Rico since 1942, has resulted in the rapid development of the Puerto Rican economy and a dramatic increase in the standard of living, and now serves as a model for the development of other areas of the Western Hemisphere. As a by-product, "Operation Bootstrap" has also reversed the net immigration of Puerto Ricans to the Continental United States, which was an immigration from a rural poverty area to urban centers much like the massive outflow of the rural poor to American cities in recent decades.

*Negro Enterpreneurship:* In order to support and develop needed managerial capabilities in the Negro community, a number of small business programs have relied upon the private sector. The Small Business Administration made almost 3,500 loans during fiscal year 1967 under its Economic Opportunity Loan Program, many in participation with private lending institutions and many as guarantor of private loans. A privately-sponsored non-profit group, the Interracial Council for Business Opportunities, has utilized volunteer executives of successful businesses to provide managerial assistance to small businesses. The ICBO has assisted approximately 1,000 buinessmen since 1963 and has created a private, bank-guaranteed loan fund. A Department of Commerce program has so far stimulated creation of four trade associations for counselling and other assistance to Negro small businessmen. Some companies have created private community development corporations which provide managerial assistance to Negro entrepreneurs.

*Education:* A number of companies have provided basic literacy and mathematical skill training to their own disadvantaged employees and in some cases to those of other companies, under contract. A number of profit-making Job Corps contractors have pioneered rapid literacy techniques.

*Attitudinal Change:* Inclusion of Negroes in national advertising has been spurred by the Advertising Council and many companies are taking affirmative steps to improve the attitudes of their employees and customers through in-plant literature as well as through advertising policy.

*While business and industry are making substantial efforts in these and other fields; we believe that much more can and should be done.* Many more companies will undoubtedly enter these fields on a volunteer basis, in some cases because they recognize that the price of inaction may well be continued tension and disorder and the ultimate breakdown of the tranquility which underlies our entire social fabric and economic growth. And this process might, and should, be accelerated by exhortation from government and business leadership.

*But we believe that a truly massive number of companies could be induced to participate only if appropriate monetary incentives are provided by the Federal government to defray the unusual costs of participation. We also believe that opportunities for business involvement, on a substantially broader scale than at present, exist primarily in the areas of employment and job training and in economic development, in the sense of the establishment of plants and other facilities in poverty areas, both urban and rural.* Housing, Negro entrepreneurship, education, and attitudinal changes are also important areas in which the private sector might well make significantly greater contributions, but in the time available to us we have attempted to deal only with the highest priority areas and urge that further study be given to these additional subjects.

It should be noted that our optimism about potential business involvement, in both jobs for the unemployed and economic development, is grounded upon continuation of essentially the same level of economic growth the Nation has experienced in the past eighteen months. Business interest is, obviously, affected by general economic conditions as well as by a specific monetary incentive.

*The Commission has received ample testimony that unemployment and underemployment are among the most persistent and serious grievances among many Negroes in the central cities which have experienced disorders in recent years. At the same time, job training and job development are the daily concern of profit-making enterprises and consequently are areas to which private companies can bring the greatest skill and ingenuity.*

It is estimated that some 500,000 unemployed persons may be characterized as "hard core" in the sense that they lack eighth grade literacy and mathematical skills, have only intermittent work histories at most, and often lack motivation to hold and perform a job. A substantial proportion of this group is Negro, male, and between the ages of aprpoximately 18 and 25. The evidence before the Commission suggests that it is this group of late teenagers and young adults who are often the initial participants in civil disorders. A slum employment study by the Department of Labor in 1966 indicated that, as compared with an overall unemployment rate in the United States, of 3.8 percent, the unemployment rate among nonwhite 16 to 19-year-old males was 26.5 percent, and among nonwhite 16 to 24-year-old males was 15.9 percent. Data collected by the Commission in 20 cities which experienced racial disorder in 1967, including the most serious disorders, indicate that Negro males between the ages of 15 and 25 predominated among the rioters, that more than 20 percent of the rioters were unemployed, and that when they were employed, they tended to be underemployed in the sense that their employment was intermittent and in low status, unskilled jobs.

Experience over recent years with various experimental public and private employment techniques demonstrates to our satisfaction that on-the-job training by private employers offers a highly successful method of insuring ultimate placement of trainees, as compared with vocational school programs. The latter often fail to attract the hard-core unemployed person, who is likely to have been a dropout from public school and is generally poorly motivated toward public, educational institutions of any type. Institutional programs also leave unresolved the difficult problem of matching the trainee to the subsequent job. Public employment programs often tend to provide unsatisfying, dead-end jobs.

In our recommendations we propose to deal primarily with the 500,000 hard-core unemployed who have not yet been reached or placed in permanent employment by existing programs. By so zeroing-in, we do not intend to ignore the remaining approximately million and a half jobless whom the U.S. Department of Labor estimates also "need help" with regard to employment. Nor do we intend to ignore the approximately 10 million underemployed, 7.5 million of whom work full-time and earn less than $3,200 annually, which is the Federally-defined poverty level for a family of four.

Many members of these latter two groups, the unemployed who are not "hard core" in the sense of extreme disadvantage, and the underemployed, would undoubtedly also benefit from the kind of training which our recommendations would encourage for the hard core. We would urge continuation and expansion of existing programs which are designed to reach these other two groups. In addition, we recommend consideration of extension to these two groups of the program we recommend for the hard core, perhaps with modifications.

We do not intend with our program for the hard-core disadvantaged to stimulate the "leap-frogging," by the hard-core unemployed, of the other two groups. Certainly the already employed must not lose their jobs in order to make room for the hard-core unemployed. Only a program which both upgrades the already employed and thereby creates openings for the hard-core, or which creates now openings for the hard-core, can satisfy this need.

The other two groups are often disadvantaged by the interrelated problems of outright racial discrimination against those who are nonwhite, and unrealistic and unnecessarily high minimum qualifications for employment or promotion, which often have the effect of discriminating. For these groups, as for the hard-core, business must consider whether a criminal record should be a bar to the particular job, whether a high school diploma is an inflexibly necessary requirement, or whether a written examination is appropriate. During World War II, industry successfully employed large numbers of the previously unemployed who were disadvantaged, by lowering standards such as these and by restructuring work patterns so that the job fit the level of available skill, not *vice versa.*

That experience, and many others as well, amply demonstrate that racial and other sterotypes are false. The usual educational and other measurements used for the population as a whole, when applied to the disadvantaged often ignore considerable intelligence and skill which are utilized instead in activity, often illegal, in the complex "system" of the ghetto streets. The existing Federal, state and local laws against discrimination in employment should be observed and effectively but reasonably enforced.

We are realistic about the problems involved in motivating and training these hard-core youngsters and young adults. Experience with a number of programs, such as the Job Corps, the Neighborhood Youth Corps, and several Manpower Development and Training projects, demonstrates clearly that training and motivating this group is considerably more costly than in the case of either the labor force with which private enterprise normally operates or the trainees whom current Federally-assisted on-the-job training programs have generally tended to reach. Accordingly, we are convinced that the incentive necessary to induce a broad base of the free enterprise system to hire and train the hard-core unemployed will have to be increased correspondingly.

Almost by definition, the new employee recruited from the hard-core will require substantially more basic job training than is provided today for unskilled workers who are not disadvantaged. Although this is a function and a source of cost which employers have generally undertaken themselves, under the Manpower Development and Training Act of 1962 the Federal government has created an incentive for training by defraying a portion of such costs.

Far more serious for the employer are the many supportive services which the hard-core require in order to make them amendable to employment and job training and the discipline of the work experience. In many cases the new employee recruited from the hard-core will require educational training, which employers have already been required to provide under normal labor market circumstances. In addition, the new employee will usually require counseling in regard to his willingness to work and in regard to aspects of his work habits which the employer normally takes for granted: for example, in dress, appearance, social relationships, money, management, transportation, hygiene and health. These supportative services will therefore constitute a source of special cost to the employer.

Tardiness and absenteeism are major problems for this group, who have previously found little social or economic benefit from conformity with the usual standards of commercial life. A number of experiments, including the substantial experience of the Job Corps training centers, indicates that it is difficult to motivate hard-core youths to remain on the job for more than a few weeks. The productivity of trainees at any level is often minimal, but at this level, and with considerable disruption through tardiness, absenteeism and turnover, the cost to the employer can, again, be especially burdensome.

*These special costs, of supportive services and loss of productivity, will have to be adequately reimbursed by government in order to permit and stimulate business and industry of all types and sizes to hire and train members of the hard-core unemployed.* Estimates of the total annual cost to the employer per hard-core trainee vary from $3000 to $5000, including $3000 or more in wages, at the higher of the minimum wage or the prevailing wage, training costs, and supportive service costs, and assuming that marginal productivity is achieved during the training period in return for the employer's payment of wages.

It must be recognized that a sure method for motivating the hard-core unemployed has yet to be devised. One basic minimum is already apparent from experimental programs: the job must not appear to the hard-core person to be a "dead-end" job. Since by definition he would not be eligible for even an entry-level job, he must be given job training. It must be made clear to him from the outset that his satisfactory performance at the entry level will result not only in continued employment after the training period but also in an opportunity for advancement, ideally through a clearly defined "job ladder" with step increases in both pay and responsibility. The fastest-growing area of private sector labor demand is in the service industries, rather than in manufacturing; yet the problem of giving a sense of dignity to entry-level jobs is greatest in the service industries.

We believe that, spurred by an adequate monetary incentive, many private employers can and will utilize sufficient ingenuity to meet these and other difficulties of motivating, training and retraining the hard-core in useful and productive jobs. The task is by no means an easy one, but we believe the private sector is capable of devising individual solutions adapted to the individual employee and company. A truly massive attempt has not yet been made to induce business to try this approach to the unemployment problem. We believe that it offers a realistic possibility of success.

Even with an adequate monetary incentive to the employer, it must also be recognized that many of the hard-core may never be employable by private enterprise, either because they are not reached by the normal processes of the labor market or even stepped-up recruitment techniques, because once reached they are reluctant to accept employment, because the cost of training them exceeds even the most liberal reimbursement, or because they are unable to achieve an adequate level of productivity. For this most severely disadvantaged group, other alternatives will have to be considered.

*Effective administration of a monetary incentive is almost as important in attracting widespread business interest as the amount of the incentive itself.* Monetary incentives to business might be provided in a number of ways. The government could guarantee business against various unusually high risks from investment in ghetto areas or, as has been attempted by the Office of Economic Opportunity in a few experimental cases, against the higher turnover and other loss resulting rfom employment of the hard-core. The most direct technique for compensating business is a contract mechanism, under which reimbursement for costs in the particular case is made by a governmental agency to the private contractor. An indirect incentive can be provided through the tax system, either by way of a credit against net tax or through an additional expense deduction for a particular cost or through accelerated depreciation for particular investments or some combination of these three.

*We are convinced that large numbers and many different types of business and industrial companies will participate in hiring and training the hard-core unemployed only if an incentive technique is devised which is as simple and automatic as possible.*

Experience since 1962 in the on-the-job training program under the Manpower Development and Training Act indicates that the government contract mechanism, in advance of employment and training, is slow in attracting business interest. In part this is due to the need in a contracting system for a substantial promotional effort to bring the program to the attention of a large number of employers. In part it is due to the reluctance of many employers, once they learn of the program, to engage in protracted negotiations with a many-layered structure of local, state and Federal authorities, all of whom must approve the contractual arrangements. Employers are also extremely reluctant to assume the burdensome paperwork requirements and corresponding additional overhead costs of any Federal contracting procedure. Executives are often apprehensive that a government contract will necessarily involve some loss of management prerogatives over the productive process, especially because government may seek to dictate in detail the content of the training to be given to employees. These factors appear to discourage even the largest industrial firms, but their negative impact is, naturally, magnified manyfold for medium and small-sized employers, who might otherwise absorb, in the aggregate large numbers of the hard-core unemployed. It is possible that a simplified direct compensation technique could be devised which would minimize the negative features of contracting, but it is likely that most businessmen would still avoid this type of involvement with government.

*We believe that the single most powerful inducement for broad involvement of private enterprise in job training and job development lies in the use of a tax incentive.* Neither a guarantee technique nor a contracting mechanism offers the same appeal to businessmen in enterprises of all sizes as does a tax incentive. Businessmen are convinced from past experience that tax incentives will be relatively simple, automatic and as self-enforcing as a government program can be, even as compared with a simplified direct compensation method. Accordingly, we recommend the following program of incentives to business and industry:

*1. Tax Incentive for Hard-Core Employment.*

First, the hard-core unemployed should be defined and identified by a government agency, either the Federal-State Employment Services or other local agencies, such as the community action agencies, whichever may in particular localities devlop the capacity to reach out effectively to the hard-core unemployed. We do not believe that business can generally be expected to perform this recruitment function efficiently within the ghetto.

Second, an unemployed person once certified as hard-core should be issued a green card or other similar identifying document which he would present to an employer.

Third, for each new employee furnishing a green card added to his payroll, the employer would in turn receive a substantial credit against his corporate income tax for the year in which the employee was employed. The sole limitation upon the employer would be that he not dismiss existing employees in order to hire green card employees.

In order to stimulate efforts by the employer to devise techniques for motivating green card employees to remain on the job, the tax credit would not be allowed to the employer unless the employee were retained for at least six months. If he remained for six months, the employer would be entitled to a tax credit in the amount of 75 percent of the wages and fringe benefits paid to the employee during that period. From the outset, the employer would be required to pay the higher of the minimum wage or the prevailing wage for the occupation in question.

To encourage continued retention of the employee, the employer would be entitled to a credit against tax in the amount of 50 percent of the wages and fringe benefits paid to the employee during the second six months of employment, and 25 percent of the wages and fringe benefits paid during the second year of employment. For example, an employer paying the minimum wage of $1.60 per hour, or $3,328 per year to a full-time employee, and no fringe benfits, would receive for the first six months of employment $1,248 in credit against his net corporate income tax. If the employee were retained for the second six months, the employer would receive an addition $832 or a total of $2.080 as a credit against tax for the first year. If the employee remained for the entire two-year period, the employer would receive an additional $832 in credit against his corporate tax for the second year. The employer's total credit for the employee over a two-year period would thus amount to $2,912. Of course, over a two-year period the employer will incur the cost of training and other supportive services and the cost of wages and fringe benefits paid and would therefore also receive the usual deduction from gross income for these costs as business expenses.

The premise of the plan is that, given the tax benefit only if the employee is motivated to remain on the job, the employer will attempt to create the conditions necessary to keep the employee motivated, through the provision of training, job ladders, and the supportive services which have been described above as so necessary to motivation and retention of the hard-core unemployed. In order to avoid abuse of the premium which the green card confers upon the job applicant, no green card holder would be entitled to use the card for more than two years of cumulative employment and in no event for a series of less-than-six-month periods with different employers. Should an employee leave an employer voluntarily for the second time, the Employment Service or other referring agencies would be required to place him at the bottom of their referral file.

As in the case of the existing 7 percent tax credit for investment in new equipment, the maximum credit allowable against the corporate employer's tax arising from employment of the hard-core unemployed would be limited to $25,000 plus 50% of the amount of the company's tax exceeding $25,000. So that no employer would receive a competitive advantage, credit would be allowable only for a limited percentage of the total number of the company's employees, on a sliding scale. An employer of ten or fewer employees could receive a tax credit for no more than 50% of his employees as green card holders; employers of ten to one-hundred employees could receive credit for no more than 25%; and those employing over one hundred no more than 15%.

An advantage of the tax credit route is that only companies which are profitable and therefore owe Federal income tax are eligible for the incentive credit. Profitable companies are in the best position to provide meaningful and continuing employment.

Provision should be made for exemption of green card holders from mandatory labor union membership until they have become permanent, full-time employees.

### 2. *Tax Incentives for Investment in Poverty Areas, Both Urban and Rural*

*We recommend a parallel tax credit, in addition, for the location and renovation of plants and other business facilities in urban and rural poverty areas*, as already defined jointly by several Federal departments and agencies. The new investment credit would be available for investments in rural as well as urban poverty areas in order to begin a national effort to improve rural economic conditions and thereby attempt to stem the massive migration from such areas to the urban centers which has been so marked in recent decades.

The existing incentive tax credit for investment in new equipment, first enacted in 1962, applies regardless of the area in which the investment is made. But the existing credit does not apply to investment in real property or in plant. We recommend that, for investment in poverty areas, the existing credit be increased substantially enough to achieve this purpose and extended to investments in real property and plant, whether for acquisition or construction of new property or the renovation of existing property. *We also recommend that plant* *and equipment in such areas be eligible for rapid amortization, within as little as five years.* These incentives would be designed to attract to the poverty areas the type of industrial and commercial development which would create new jobs and would also stimulate further economic benefit within the disadvantaged community surrounding the enterprise.

The incentives would assist existing businesses in poverty areas, including Negro-owned businesses, as well as new businesses. By stimulating new jobs in urban poverty areas the incentives would also help to overcome the often severe difficulties residents of those areas now experience in obtaining transportation to suburban commercial and industrial plants.

The credit for poverty area investment would not, however, be dependent upon employment of the hard-core unemployed. An employer eligible for the credit for poverty area investment would also be eligible, if he employed green card holders, for the credit for hard-core employment. The two credits are designed to meet separate needs and different costs to investors and employers and therefore should be cumulative. Like the credit for employment of the hard-core, the investment credit should be limited to $25,000 of tax and 50 percent of the tax exceeding $25,000.

Protections would have to be provided against subsidizing "run-away" plants from urban areas, although large companies should not be discouraged from expanding their operations into rural areas. Protections would also be necessary to avoid abuse of the credit by automated operations which involve few employees.

### *3. Local Joint Clearinghouse Groups*

*We recommend that industry, organized labor, and various civic organizations be encouraged to create joint local clearinghouse groups to exchange experience gained with employment of the hard-core unemployed and with investment in poverty areas.* A major benefit of utilizing the tax incentive technique is permitting each enterprise to adapt its program to the particular conditions of its business and location and the particular problems and strengths of the labor market in that location. However, there is much to be gained from the cross-fertilization of the many experimental programs now being carried on by business and industry and the many additional experiments which would be stimulated by the tax incentives we have outlined. Mixed local groups would facilitate a useful interchange of experience and know-how. In any event, these local groups would have no authority to approve or disapprove programs for tax credit purposes.

In our deliberations we have considered carefully the arguments which have repeatedly been made in some tax circles against the use of tax incentives for social purposes such as those we recommend. Two such arguments have been made most strenuously and merit thoughtful answers:

(1) *Backdoor Financing.* It is often contended that tax incentives, once enacted as a part of the Internal Revenue Code, become entrenched and immune from the kind of public scrutiny which more direct incentives, through appropriated funds, receive annually in the Congress. The recent history of the existing 7 percent investment credit for new equipment, which is the most direct analogy to the investment credits proposed here, belies this argument. A fixed time limitation may be placed upon a provision of the tax law, just as in the case of authorizing legislation for a direct incentive. Although this was not done in the case of the 7 percent equipment investment credit, the Administration recommended a suspension of the credit for a period of time in 1966 and 1967, because the demonstrated success of the tax credit as a spur to new investment was thought to increase the danger of inflation. The Congress accepted this conclusion, after giving it the same consideration it would have given had the question instead arisen in regard to the extension of an authorized direct incentive or in regard to an appropriation for a program of direct incentive enacted under a multi-year authorization. The public policy which dictates that an incentive be a permanent part of the law is the same whether the law involved is the Internal Revenue Code or some other statute.

The tax incentives we recommend should be limited in time and reappraised every two years. If, in addition, some further control on the cost to the Treasury is necessary, the Government would retain authority to regulate the flow of green cards in the case of the credit for hard-core employment.

(2) *Foreclosing Other, More Creative Avenues of Assistance.* It is contended that tax incentives tend to obscure the search for more effective techniques to achieve common social goals. This may be an effective argument in regard to other uses of tax incentives, but it is inapplicable to the use we recommend. We arrived at the tax approach only after carefully appraising the various other available means of governmental assistance, several of which have been tried. After weighing these alternatives, we have come to the firm conclusion that the tax technique is indeed the most effective for the particular social goal. We have sought a means of motivating the widest possible spectrum of American business in alleviating joblessness in our urban and rural poverty areas, and we find that no other technique is as likely to move the American business community into action for this purpose as is the tax-incentive device.

The public policy goal here is the employment and training of hundreds of thousands of persons by, hopefully, thousands of business enterprises. The existing investment tax credit was taken on 1,239,000 corporate tax returns and 6,904,000 individual tax returns during the period of 1962–1965, representing new investments in the amount of approximately 75 billion dollars and 17.5 billion dollars respectively.

It is precisely because of the need for a similarly pluralistic and large-scale answer to the problem of joblessness in the ghetto that we have turned to the most pluralistic technique for channeling governmental assistance: the individual decisions of thousands of businesses to utilize the tax credit in making their daily employment and plant location decisions. Other incentive techniques may be better for the solution of other major social problems, but we are convinced that the tax incentive method is the most appropriate and most hopeful solution to this particular problem.

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# THE PRESIDENT'S NATIONAL ADVISORY COMMISSION ON RURAL POVERTY—"THE PEOPLE LEFT BEHIND"

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## SUMMARY

This report is about a problem which many in the United States do not realize exists. The problem is rural poverty. It affects some 14 million Americans. Rural poverty is so widespread, and so acute, as to be a national disgrace, and its consequences have swept into our cities, violently.

The urban riots during 1967 had their roots, in considerable part, in rural poverty. A high proportion of the people crowded into city slums today came there from rural slums. This fact alone makes clear how large a stake the people of this nation have in an attack on rural poverty.

The total number of rural poor would be even larger than 14 million had not so many of them moved to the city. They made the move because they wanted a job and a decent place to live. Some have found them. Many have not. Many merely exchanged life in a rural slum for life in an urban slum, at exorbitant cost to themselves, to the cities, and to rural America as well.

Even so, few migrants have returned to the rural areas they left. They have apparently concluded that bad as conditions are in an urban slum, they are worse in the rural slum they fled from. There is evidence in the pages of this report to support their conclusion.

This nation has been largely oblivious to these 14 million impoverished people left behind in rural America. Our programs for rural America are woefully out of date.

Some of our rural programs, especially farm and vocational agricultural programs, are relics from an earlier era. They were developed in a period during which the welfare of farm families was equated with the well-being of rural communities and of all rural people. This no longer is so.

They were developed without anticipating the vast changes in technology, and the consequences of this technology to rural people. Instead of combating low incomes of rural people, these programs have helped to create wealthy landowners while largely bypassing the rural poor.

Most rural programs still do not take the speed and consequences of technological change into account. We have not yet adjusted to the fact that in the brief period of 15 years, from 1950 to 1965, new machines and new methods increased farm output in the United States by 45 percent—and reduced farm employment by 45 percent. Nor is there adequate awareness that during the next 15 years the need for farm labor will decline by another 45 percent. Changes like these on the farm are paralleled on a broader front throughout rural America, affecting many activities other than farming and touching many more rural people than those on farms.

In contrast to the urban poor, the rural poor, notably the white, are not well organized, and have few spokesmen for bringing the Nation's attention to their problems. The more vocal and better organized urban poor gain most of the benefits of current antipoverty programs.

Until the past few years, the Nation's major social welfare and labor legislation largely bypassed rural Americans, especially farmers and farmworkers. Farm people were excluded from the Social Security Act until the mid-1950's. Farmers, farmworkers, and workers in agriculturally related occupations are still excluded from other major labor legislation, including the unemployment insurance programs, the Labor-Management Relations Act, the Fair Labor Standards Act, and most State workman's compensation acts.

Because we have been oblivious of the rural poor, we have abetted both rural and urban poverty, for the two are closely linked through migration. The hour is late for taking a close look at rural poverty, gaining an understanding of its consequences, and developing programs for doing something about it. The Commission in unanimous in the conviction that effective programs for solving the problems of rural poverty will contribute to the solution of urban poverty as well.

The facts of rural poverty are given in detail later in this report. They are summarized in the paragraphs that follow.

Rural poverty in the United States has no geographic boundaries. It is acute in the South, but it is present and serious in the East, the West, and the North. Rural poverty is not limited to Negroes. It permeates all races and ethnic groups. Nor is poverty limited to the farm. Our farm population has declined until it is only a small fraction of our total rural population. Most of the rural poor do not live on farms.

They live in the open country, in rural villages, and in small towns. Moreover, contrary to a common misconception, whites outnumber nonwhites among the rural poor by a wide margin. It is true, however, that an extremely high proportion of Negroes in the rural South and Indians on reservations are destitute.

Hunger, even among children, does exist among the rural poor, as a group of physicians discovered recently in a visit to the rural South. They found Negro children not getting enough food to sustain life, and so disease ridden as to be beyond cure. Malnutrition is even more widespread. The evidence appears in bad diets and in diseases which often are a product of bad diets.

Disease and premature death are startlingly high among the rural poor. Infant mortality, for instance, is far higher among the rural poor than among the least privileged group in urban areas. Chronic diseases also are common among both young and old. And medical and dental care is conspicuously absent.

Unemployment and underemployment are major problems in rural America. The rate of unemployment nationally is about 4 percent. The rate in rural areas averages about 18 percent. Among farmworkers, a recent study discovered that underemployment runs as high as 37 percent.

The rural poor have gone, and now go, to poor schools. One result is that more than 3 million rural adults are classified as illiterates. In both educational facilities and opportunities, the rural poor have been shortchanged.

Most of the rural poor live in atrocious houses. One in every 13 houses in rural America is officially classified as unfit to live in.

Many of the rural poor live in chronically depressed poverty-stricken rural communities. Most of the rural South is one vast poverty area. Indian reservations contain heavy concentrations of poverty. But there also are impoverished rural communities in the upper Great Lakes region, in New England, in Appalachia, in the Southwest, and in other sections.

The community in rural poverty areas has all but disappeared as an effective institution. In the past the rural community performed the services needed by farmers and other rural people. Technological progress brought sharp declines in the manpower needs of agriculture, forestry, fisheries, and mining. Other industries have not replaced the jobs lost, and they have supplied too few jobs for the young entries in the labor market. Larger towns and cities have taken over many of the economic and social functions of the villages and small towns.

The changes in rural America have rendered obsolete many of the political boundaries to villages and counties. Thus these units operate on too small a scale to be practicable. Their tax base has eroded as their more able-bodied wage earners left for jobs elsewhere. In consequence the public services in the typical poor rural community are grossly inadequate in number, magnitude, and quality. Local government is no longer able to cope with local needs.

As the communities ran downhill, they offered fewer and fewer opportunities for anyone to earn a living. The inadequately equipped young people left in search of better opportunities elsewhere. Those remaining behind have few resources with which to earn incomes adequate for a decent living and for revitalizing their communities.

For all practical purposes, then, most of the 14 million people in our poverty areas are outside our market economy. So far as they are concerned, the dramatic economic growth of the United States might as well never have happened. It has brought them few rewards. They are on the outside looking in, and they need help.

Congress and State legislatures from time to time have enacted many laws and appropriated large sums of money to aid the proverty striken and to help rural America. Very little of the legislation or the money has helped the rural poor. Major farm legislation directed at commercial farms has been successful in helping farmers adjust supply to demand, but it has not helped farmers whose production is very small. And because the major social welfare and labor legislation has discriminated against rural people, many of the rural poor—farmers and farmworkers particularly—have been denied unemployment insurance, denied the right of collective bargaining, and denied the protection of workman's compensation laws.

This Commission questions the wisdom of massive public efforts to improve the lot of poor in our central cities without comparable efforts to meet the needs of the poor in rural America. Unfortunately, as public programs improve the lot of the urban poor, without making similar improvements in conditions for the rural poor, they provide fresh incentive for the rural poor to migrate to the central cities. The only solution is a coordinated attack on both urban and rural poverty.

The Commission has endeavored to chart a course to wipe out rural poverty. Emphasis has been placed on the problems of poor rural people, and problems of impoverished rural communities. Changes in existing programs and the development of new programs are considered. Action on the immediate needs of the rural poor is emphasized, as well as action to change the conditions which make them poor. Human development and the physical resources needed for this development are stressed. Improving the operation of the private economy in order to provide rural people with better opportunities for jobs and a decent living is emphasized.

It is the firm conviction of the Commission that the complexity of the problems of rural poverty preclude the success of a single program or approach. Programs addressed to immediate needs will not erase the underlying conditions creating and perpetuating rural poverty. Programs addressed to these conditions will not immediately help the poor. The Commission's recommendations complement and reinforce one another. In total, the recommendations will go far to solve the problems of rural poverty.

The Commission is convinced that the abolition of rural poverty in the United States, perhaps for the first time in any nation, is completely feasible. The nation has the economic resources and the technical means for doing this. What it has lacked, thus far, has been the will. The Commission rejects the view that poverty, in so rich a nation, is inevitable for any large group of its citizens.

Elsewhere in this report there appears the recommendations of the Commission in detail. These recommendations call for action by all branches of government—local, State, and Federal—as well as by private individuals and groups. The major thrust of the recommendations is discussed briefly in the paragraphs that follow.

(1) The Commission recommends that the United States adopt and put into effect immediately a national policy designed to give the resi-

dents of rural America equality of opportunity with all other citizens. This must include equal access to jobs, medical care, housing, education, welfare, and all other public services, without regard to race, religion, or place of residence.

(2) The Commission recommends, as a matter of urgency, that the national policy of full employment, inaugurated in 1946, be made effective. The need is even greater in rural areas than in urban areas. The Commission urges that this need be given priority in legislation and appropriations. To the extent that private enterprise does not provide sufficient employment for all those willing and able to work, the Commission believes it is the obligation of government to provide it.

(3) The Commission believes that the United States has the resources and the technical means to assure every person in the United States adequate food, shelter, clothing, medical care, and education and, accordingly, recommends action toward this end. Millions of rural residents today are denied the opportunity of earning a living. The Commission believes it is the obligation of society and of government, to assure such people enough income to provide a decent living. In order to achieve this, basic changes are recommended in public assistance programs.

In some rural areas of the United States there is not only malnutrition but hunger. Existing public programs for food distribution to those in need have failed to meet the need. The Commission recommends that the food stamp program be expanded nationwide and that eligibility be based upon per capita income. Food stamps should be given to the poorest of the poor without cost.

(4) The Commission recommends a thorough overhauling of our manpower policies and programs, particularly including public employment services, in order to deal effectively with rural unemployment and underemployment. The Commission deplores the fact that the richest, most powerful nation in history compels millions of its citizens to engage in aimless wandering in search of jobs and places to live. The recommendations of the Commission aim at a comprehensive and active manpower program which can be an effective weapon against poverty.

(5) The Commission recommends extensive changes in our rural education system, ranging from preschool programs to adult education. Rural schools must be brought up to par with urban schools. The educational system must reclaim youth and adults who drop out before obtaining sufficient education to cope with the complexities of today's world. An educational extension service is recommended to help teachers and schools meet the needs of all students.

(6) The Commission is deeply concerned at the evidence of disease and the lack of medical care in rural areas. The Commission, therefore, recommends rapid expansion of health manpower—both professional and subprofessional—in rural areas, and the establishment of Community Health Centers which can focus on the health needs of rural people.

(7) The Commission recommends development and expansion of family planning programs for the rural poor. Low income families are burdened with relatively numerous children to feed, clothe, and house. They are prepared psychologically to accept family planning.

As a matter of principle, they are entitled to facilities and services to help them plan the number and spacing of their children.

(8) The Commission recommends immediate action to provide housing in rural areas by public agencies and puts special emphasis on a program providing rent supplements for the rural poor. The Commission further recommends that a single unified housing agency be made responsible for housing programs in rural areas and that credit terms be made more responsive to need. The Commission also urges a substantial increase in appropriations for Indian housing.

(9) The Commission believes that the overlapping patchwork of districts, organizations, plans, and programs for development impedes the economic development of lagging and poverty-stricken areas and regions. It, therefore, recommends the creation of multicounty districts, cutting across urban-rural boundaries, to cooperatively plan and coordinate programs for economic development. To finance development, the Commission recommends Federal grants, loans, and industrial development subsidies, as well as State and local tax reform.

(10) The Commission believes that without citizen responsibility, which includes the active involvement and participation of all, antipoverty and economic development programs will flounder. Therefore, the Commission recommends that increased attention be given to involving the poor in the affairs of the community, on both local and areawide levels. Specific suggestions are made for improving the effectiveness of the antipovery programs of the Office of Economic Opportunity and the Department of Agriculture.

(11) The Commission recommends that the Federal Government re-examine its commerical farm programs in order to make sure that adjustments in the supply of farm products are not made at the expense of the rural poor. Public programs are recommended to enlarge small farm operations and to retire submarginal land from commercial production, but with safeguards protecting the interest of low income families living on submarginal land. The Commission also recommends that the development of additional farmland with public funds cease until the nation's food and fiber needs require this development.

(12) Without effective government at all levels, the recommendations in this report will not result in the eradication of rural poverty. The Commission recommends changes in program development and administration to facilitate and encourage the effective involvement of local, State, and Federal governments.

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## CHAPTER 1.—THE FOURTEEN MILLION

It is a shocking fact that in the United States today, in what is the richest nation in history, close to 14 million rural Americans are poor, and a high proportion of them are destitute. By their poverty they are deprived of freedom to share in our economic abundance.

We can no longer permit public policy to ignore the rural poor. For if we do, we shall see a continuing movement of rural people to our central cities. As the summer of 1967 illustrated, the slums and ghettos of the city breed hatred and violence, which is no solution to the problems of either city or country.

It is to the problems of the rural poor that this report is addressed. Who are the rural poor? Where are they? How poor are they? What can be done to wipe out their poverty?

It may surprose most Americans to know that there is more poverty in rural America, proportionately, than in our cities. In metropolitan areas, one person in eight is poor, and in the suburbs the ratio is one in 15. But in rural areas one of every four persons is poor (table 1.).

TABLE 1.—PERSONS IN POVERTY, BY RURAL AND URBAN RESIDENCE, MARCH 1965

| Item | Persons at all income levels | | Poor persons[1] | | |
|---|---|---|---|---|---|
| | Number (millions) | Percent distribution | Number (millions) | Percent distribution | Percent poor |
| United States | 189.9 | 100.0 | 33.7 | 100.0 | 17.7 |
| Total rural | 55.3 | 29.1 | 13.8 | 40.9 | 25.0 |
| Farm | 13.3 | 7.0 | 3.9 | 11.6 | 29.3 |
| Nonfarm | 42.0 | 22.1 | 9.9 | 29.4 | 23.6 |
| Total urban | 134.6 | 70.9 | 19.9 | 59.1 | 14.8 |
| Small cities | 27.1 | 14.3 | 6.4 | 19.0 | 23.6 |
| Metropolitan areas | 107.[illegible] | 56.6 | 13[illegible] | 40.1 | 12.6 |
| Central cities | 58.6 | 30.8 | 10.2 | 30.3 | 17.4 |
| Suburbs | 48.9 | 25.8 | 3.3 | 9.8 | 6.7 |

[1] Income data relate to 1964. Poverty statistics presented here are preliminary estimates, based on the Social Security Administration poverty lines for urban and rural nonfarm, but using 85 percent rather than 70 percent as the farm-to-nonfarm ratio. The methods used in deriving this ratio and the above data are discussed in a technical report, to be published. Percentages may not add to 100 because of rounding.

Some 30 percent of our total population live in rural areas, but 40 percent of the nation's poor live there. Within this total there are nearly 3 million families, plus a million unattached persons.

Contrary to popular impression, all the rural poor do not live on farms, nor are all of them Negroes. Most live in small towns and villages. Only one in four of these rural families lives on a farm. And, of the 14 million rural poor, 11 million are white.

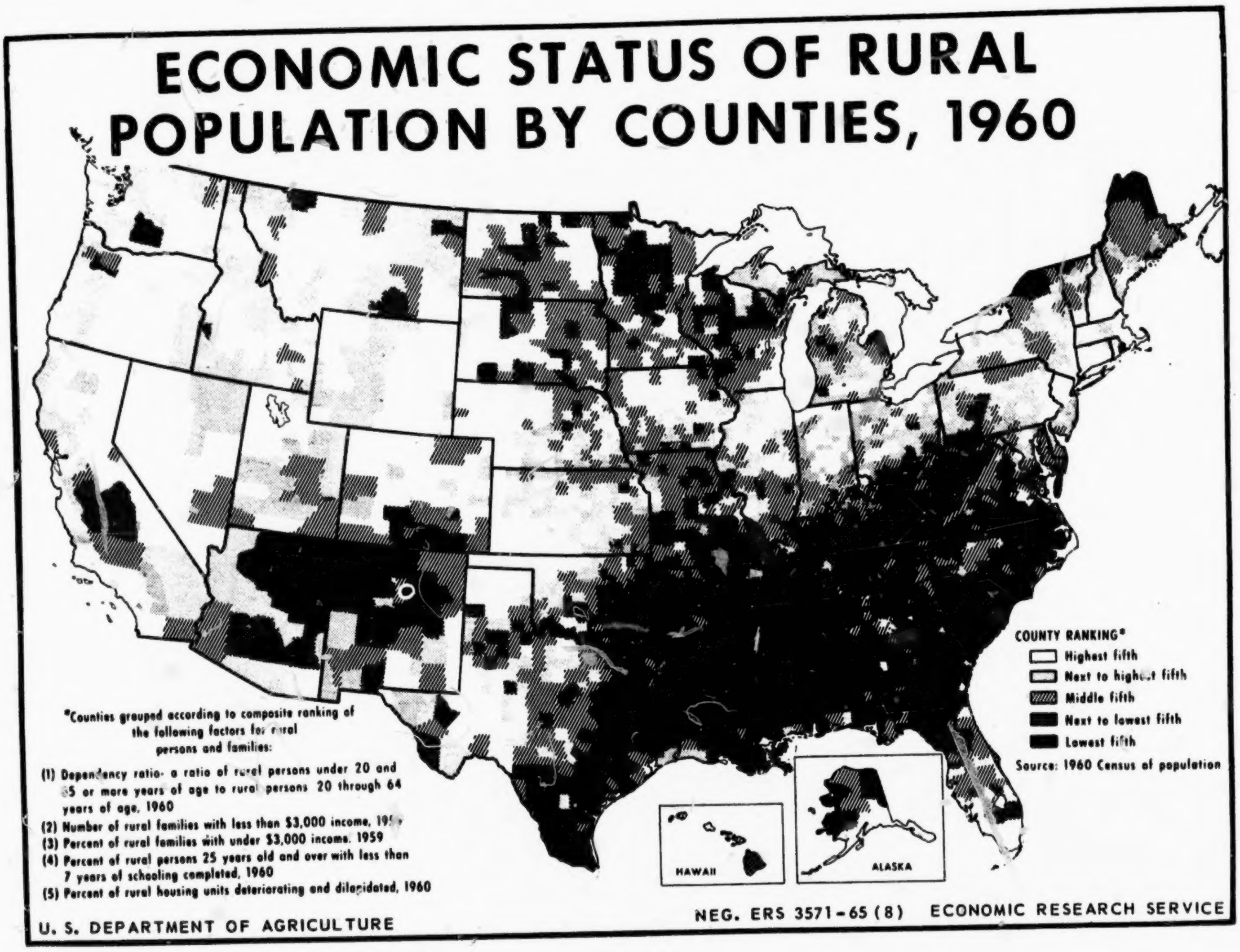
It is true that a higher proportion of Negroes than of whites are poor—three out of five rural nonwhite families are poor. They are heavily concentrated in some areas. In fact 90 percent of them are clustered in the poorest counties in America. Low income white people are more widely scattered as well as more numerous.

## WHERE ARE THE RURAL POOR?

It has become popular to talk of "pockets of poverty." The truth is there are no such things as pockets of poverty. Poverty refuses to stay in pockets. But there are areas of heavy concentration of rural poor. And there is a continuing exodus to towns and cities.

Poor people live everywhere, including cities, but some areas and regions have such heavy concentrations of rural poverty that they stand out. Much of the South, as shown in figure 1, has a heavy concentration of rural poverty. Outside of the South, Indian reservations, noticeably in the Southwest and the upper Great Plans, contain distinct concentrations of the rural poor, along with New England and the upper Great Lakes.

Within the South several areas of rural poverty can be distinguished. Appalachia perhaps has become best known in recent years, but there is also the Coastal Plain to the east, the Ozarks to the west, the Black Belt of the Old South, and the Mexican-American concentrations along our southern border. Even within a State, distinct areas with high concentrations of poverty may be identified, as in the Delta and the hill country of Mississippi.



ECONOMIC STATUS OF RURAL POPULATION BY COUNTIES, 1960

COUNTY RANKING*
□ Highest fifth
▨ Next to highest fifth
▨ Middle fifth
■ Next to lowest fifth
■ Lowest fifth
HAWAII
ALASKA

Source: 1960 Census of population

*Counties grouped according to composite ranking of the following factors for rural persons and families:

(1) Dependency ratio- a ratio of rural persons under 20 and 65 or more years of age to rural persons 20 through 64 years of age, 1960
(2) Number of rural families with less than $3,000 income, 1959
(3) Percent of rural families with under $3,000 income. 1959
(4) Percent of rural persons 25 years old and over with less than 7 years of schooling completed, 1960
(5) Percent of rural housing units deteriorating and dilapidated, 1960

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NEG. ERS 3571-65 (8) ECONOMIC RESEARCH SERVICE

FIGURE 1

## SYMPTOMS OF POVERTY

Average family incomes are low in poverty areas, but there are many additional symptoms of poverty, as indicated by the factors used to reflect economic status in figure 1. A low level of formal schooling among adults parallels low income levels. Rural housing is dilapidated and in need of extensive repair or replacement. Relatively high proportions of children, youths, and the aged depend on those of working age. And the working-age population is less likely to be in the labor market, with the result that the burden of workers in supporting nonworkers is heavier than in more prosperous sections of America.

When a family's income is less than $3,000, that family is usually defined as poor.[1] In the poverty areas of rural America, however, an income of $3,000 per family is the exception, not the rule. Of the poor families in these areas, more than 70 percent struggle along on less than $2,000 a year, and one family in every four exists, somehow, on less than $1,000 a year.[2]

Schooling in low income areas is as inadequate as incomes. Rural people generally have poorer schooling than city people, and rural poor people are severely handicapped by lack of education. Few rural poor adults attain the general rural average of 8.8 years of school completed. Male farm laborers between 55 and 64 years of age and earning incomes of less than $1,000 average only 5 years of schooling.

Moreover, low educational levels seems to be self-perpetuating. If the head of a rural poor family has had little schooling, his sons are often handicapped in their efforts to get an education.[3]

It is especially difficult for rural people handicapped educationally to acquire new skills, or get new jobs, or otherwise adjust to a society increasingly urbanized. This is as true on the farm as in urban industry, for modern farming requires skills that the poorly educated lack. The less the schooling, the poorer the job and the lower the income.

Lacking in education, the rural poor either concentrate in low-paying jobs on the farm or elsewhere in rural areas, or swell the ranks of the unemployed and the underemployed.

Negroes, Indians, and Mexican Americans suffer even more than low income whites from unemployment and underemployment. Their schooling, as a rule, is even less than that of whites in the rural poverty areas. Negroes emerging from the sharecropper system often migrate to urban ghettos. Those who remain in rural areas are frequently unemployed, and when they do have jobs, they are found mostly in wage work; few become farm operators. Indians on reservations live in poverty, in the main, with few opportunities for work at well-paying jobs. Off the reservations Indians rarely find it possible to get a better paying job, if they find one at all.

At best, job opportunities in rural areas are scarce, and in many places they are getting scarcer year by year. For rural people living within commuting distance of nonfarm jobs, it is sometimes possible to combine farming with a variety of jobs off the farm, but in isolated areas the need for such opportunities is far greater than the supply. At that, even with every adult member of the family working, many families in rural poverty areas don't make enough for decent living.

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[1] The measurement of poverty is discussed later in this chapter.
[2] Unpublished census data from 1966 Composite Survey of Economic Opportunity.
[3] Current Population Reports, Series P-20, No. 132.

In fact, some rural families make so little that their children are not only malnourished but literally starving, as a team of six physicians discovered on a 1967 survey in the rural South. The physicians summed up their findings in these words:

> In sum, we saw children who are hungry and who are sick—children for whom hunger is a daily fact of life and sickness, in many forms, an inevitability. We do not want to quibble over words, but "malnutrition" is not quite what we found; the boys and girls we saw were hungry—weak, in pain, sick; their lives are being shortened; they are, in fact, visibly and predictably losing their health, their energy, their spirits. They are suffering from hunger and disease and directly or indirectly they are dying from them—which is exactly what "starvation" means.
>
> * * * It is unbelievable to us that a nation as rich as ours, with all its technological and scientific resources, has to permit thousands and thousands of children to go hungry, go sick, and die grim and premature death.[4]

## POPULATION GROWTH AND MIGRATION

Rural low incomes areas have lost population for a number of years, mainly through the exodus of rural farm people. From 1790 to the present, the nation's population has grown from about 4 million to nearly 200 million persons. In the process, it has switched from about 95 percent to 30 percent rural. As late as 1910 a third of the entire population was on farms, but this figure has dropped to only 6 percent. The more than 6,000 cities contained 125 million persons in 1960, or 70 percent of the total population.

The strictly rural areas, and areas with the lowest incomes, have the heaviest out-migration. Consider, for example, the counties classed as all rural—lacking a city (or place) of 2,500 or more population. By 1960, aside from the natural increase (births minus deaths) these counties had lost almost 2 million people, or 15 percent of their 1950 populations through migration. In contrast, the mainly urban counties (with 70 percent or more of their population in urban centers) gained more than 5 million, or about 6 percent through migration.

The poorest counties, with median family incomes of less than $2,000 in 1959, lost more than 600,000 persons—over a fourth of their 1950 population—through migration. In the Deep South, for example, a mass migration of Negroes, mainly to northern industrial centers, has helped reduce southern rural poverty at the expense of cities. At the same time, high income counties, with median family incomes of $7,500 or more in 1959, increased through migration by about 200,000 people.

Americans are well-known for their geographic and social mobility, and the freedom to be mobile is perhaps one of our most cherished values. Many seek to escape rural poverty by moving from the farm or small town to larger cities and into nonfarm work. But the fact remains that if one's origin is in agriculture, his chances of remaining there are relatively great. Given the low income levels of many farmers and farmworkers, the tendency to inherit one's occupation serves as an obstacle to an escape from poverty. Studies demonstrate that persons entering the labor market at the lowest income levels have the greatest difficulty in rising to better jobs and higher incomes. Many simply do not make the transition. Migration to a city is therefore no guarantee of escaping poverty, as the presence of millions of poverty-ridden ex-ruralites now in cities testifies.

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[4] "Hungry Children." A Special Report, Southern Regional Council, Atlanta, Ga.

## MORE CHILDREN THAN INCOME

The size of many low income families makes escape from poverty extremely difficult. The world over, large families have been traditional in rural areas, and the tradition lives on in rural America, especially in poverty areas. The result, of course, is that meager resources have to be stretched beyond the breaking point to feed, house, clothe, and educate the children.

The birth rate has been declining in the nation as a whole since 1957, but average number of births is still high in rural poverty areas. The 1960 statistics revealed that throughout the nation women 40 to 44 years of age had produced an average—statistically speaking—of 2.5 children each. In farm families with incomes of less than $2,000, the average was 3.7 for white mothers and 6.4 for nonwhites.

Persistence in rural America of the tradition favoring large families is understandable. The rural way of life, at one time, dictated the need for large families. Before machines and modern technology came along, the family farm needed children as potential workers. Religious beliefs buttressed the tradition. And society more or less expected and sanctioned large families.

To add to the burden, the households of low income people in rural areas often include several generations. This is partly from necessity, partly cultural inheritance. Rural people cling tenaciously to the custom of caring for the old folks at home. And when the children of friends and neighbors need a place to stay, they are taken in.

Then, when the youths and young adults of these households go to the city in search of jobs, those who are left have more dependents to support. The combination of few workers, low incomes, and more people to support creates a dependency problem that is acute.

## THE RESIDUAL POPULATION

The mass exodus from low income rural areas in recent years has meant that those left behind are often worse off than before. Their chances of escaping from poverty, or avoiding deeper poverty, or even easing their burden have been reduced. Partly this is because the areas have too many old people and children for the working-age population to support. Partly it is because a smaller population spread too sparsely, cannot support or build a strong, flexible social and economic superstructure in the area. Local governments, schools, and churches are dying from lack of support. And as local facilities and services continue to decline, the chances for redevelopment diminish.

Figures on the age of heads of households in rural poverty areas underline the hopelessness of the situation. In 1965, among low income families in these areas, one of every four heads of household was 65 years of age, or older. Contrast this with rural areas with adequate incomes. There, only about 7 percent of the heads of households were as old as 65. Nor is the picture brighter for heads of households who were younger but living in poverty areas. Of the age group 22 to 54, half were poor.

## MEASURING POVERTY

### *The Concept and the Reality*

"Poverty" is a controversial word. Not everyone agrees on what it means. This applies to experts as well as to laymen. In the opinion of the Commission, poverty is partly inadequate income, but it goes much deeper than that. Poverty afflicts the mind and the spirit as well.

Income is important in escaping from poverty, though not the whole answer. Education and jobs are also essential, and they can lead to higher income. Income is obviously needed to buy the food, clothing, housing, schooling, and health services required by anyone in this money economy if he is to escape from poverty—if he is to preserve some self-esteem.

But poverty is much more:

- It is lack of access to respected positions in society, and lack of power to do anything about it.
- It is insecurity and unstable homes.
- It is a wretched existence that tends to perpetuate itself from one generation to the next.

Low income is widely used as an index of poverty; the number of low income people is taken as the number of poor, though this may be an oversimplification. The poverty line is the minimum level of income needed to provide the kind of living that our society considers a basic human right.

Opinions as to where the poverty line really is, or should be, have changed as America has become more prosperous and more highly urbanized. Our standard of what is an adequate income for the poor will probably rise. Just as the poverty budgets of the 1920's by today's standards appear grossly inadequate, Americans in the year 1980 may have the same opinion of today's poverty lines.

## IF BILLIONS ALONE WERE THE REMEDY

What would it cost to bring all the poor of the United States above the poverty line, if we merely transferred money to them? [5]

In 1964, for the nation as a whole, it would have cost about $12.5 billion to lift the incomes of the poor above the poverty level. The sum of $12.5 billion is about 2.6 percent of all personal incomes in the United States. It would transfer roughly $1,000 to each of the "poor" households. To close the income gap for white households considered poor, the total needed would be about $9 billion; for nonwhite households, the total needed would be $3.5 billion.

These estimates include both urban and rural poor. To close the income gap for the rural poor alone would require nearly $5 billion.[6]

This does not mean that rural poverty would be eliminated simply by adding $5 billion to the incomes of the rural poor. Poverty cannot be ended that way. Even if the incomes of the rural poor were automatically increased by perpetual transfers of income through relief checks and other welfare payments, many of the poor would remain dependent, lacking in self-esteem, never able to make their own way or to win the respect of their neighbors.

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[5] The data presented here are preliminary estimates based on: Mollie Orshansky. "Recounting the Poor—A Five Year Review." Social Security Bul. April 1966, table 5.

[6] This is a rough approximation, predicated on the fact that about 40 percent of the poor are rural.

### HOW INCOME NEEDS OF THE POOR VARY

But how much income must a family have to get out of poverty? The answer obviously depends on size of family, the prices they have to pay and, in addition, the changing standards of living which our society regards as essential.

The figure of $3,000 as the poverty line is useful as a rough approximation, though it cannot be applied universally or indiscriminately. For some households an income of $3,000 is more than is needed for a decent level of living. For other households $3,000 is not nearly enough.[7]

While it is possible to use the $3,000 income level as a rough indicator of poverty, more refined measurements are available. Poverty income levels that vary by family size and type, and by farm and nonfarm residence, have been developed by Orshansky in the Social Security Administration of the Department of Health, Education, and Welfare.[8] These levels are so designed that they center around the $3,000 family income level. A rural nonfarm family of four, for example, would need at least $3,200 to be above poverty. A rural nonfarm family of seven would need $5,205.

The comparable income levels for farm families were set at 70 percent of the nonfarm levels—$2,240 for a farm family of four, for example. This means that a farm family needs only 70 percent as much income as a rural nonfarm or urban family to be above poverty.

However, their apparent precision has invited misuse. Many Federal, State, and local government agencies have adopted these new poverty income levels, and are using them as eligibility criteria for welfare and antipoverty programs. The experts who developed the poverty levels are appalled at their being used in this way. They were not intended for this purpose and they are not adequate.

Further analysis is needed to determine the exact income needed to raise a household above the poverty level. Regional variations in the cost of living remain to be taken into account. The fact that rural people often must travel great distances to buy necessities, or to obtain medical service, has yet to be allowed for. We still need indices of poverty that will be both accurate and fair. The Federal Government should take the initiative in developing a standard set of poverty lines. As a start, this Commission has conducted a study to determine the income needed to support a comparable level of living for farm, rural nonfarm, and urban families. Preliminary results indicate that farm families need about 85 percent, rather than 70 percent, as much income as a comparable family in urban areas. Using this ratio, the Commission estimated that the number of rural poor have been undercounted by 700,000 persons or more than 20 percent.[9]

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[7] Helen H. Lamale. "Poverty: The Word and the Reality." Monthly Labor Review, July 1965, pp. 822–827.

[8] Mollie Orshansky. "The Poor in 1965 and Trends, 1959–65, U.S. Dept. Health, Education, and Welfare, Research and Statistics, Note. Feb. 16, 1967.

[9] Table 1 is based on the Commission's estimates. Details are given in a technical report to be published.

In interpreting and using poverty income levels, it is necessary to recognize that people whose incomes are a few dollars above the poverty level may nevertheless be in genuine distress and living at a level below an acceptable one. We have to keep in mind that training and educational programs designed to help the poor can help the near-poor, and should be so used.

The urgent goal, of course, must be to help those in greatest need. But an income level of $3,000 ought not to be thought of as an upper limit for today's poor. Rather, it should be considered a threshold over which low income families may pass to higher levels. This Commission firmly believes that antipoverty programs should not only lift people to the poverty line, but help them to rise as much further as their abilities will permit.

### A CULTURE OF POVERTY

There is such a thing as a culture of poverty. No one knows how many of the rural poor have fallen into it, but it is common enough to deserve attention. One witness who testified at a hearing before this Commission, the Rev. A. J. McKnight, of Louisiana, described rural poverty this way:

Many of these undeveloped people have developed a culture of poverty. . . . The poor think differently; they have a different sense of values. . . . Take the concept of education: To the middle class it stands for the road to better things for one's children and one's self. To the poor it is an obstacle course to be surmounted until the children can go to work. . . .

The poor tend to be fatalistic and pessimistic because for them there is no future; everything is today. They do not postpone satisfactions. When pleasure is available, they tend to take it immediately. They do not save, because for them there is no tomorrow.

The smug theorist of the middle class would probably deplore this as showing a lack of traditional American virtues. Actually it is the logical and natural reaction of a people living without hope, without a future.

We do not know how many people in rural America have lost all hope in a future. It is tragic and shameful that any have.

This Commission believes that by adopting the program of action recommended in this report, we can restore hope to many who are now without it, and we can help the 14 million rural poor climb out of poverty. The nation can do this, that is, if there is the will to do it.

The time for action is now.

## CHAPTER 3.—CREATING A FAVORABLE ECONOMIC ENVIRONMENT †

The American economy today is enjoying its greatest prosperity in history. Yet for many of the rural poor, conditions are as bad as they were during the Great Depression of the 1930's.

Three basic requirements have to be met if we are to reduce, let alone abolish, rural poverty.

The first requirement is a job for every rural person able and willing to work. A second requirement is that these jobs pay high enough wages to provide a decent living. A third requirement is to end the discrimination against rural people, whether by statute or by administration, which has intensified rural poverty.

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†See comment by D. W. Brooks at end of this chapter.

Steady jobs are the key to an escape from poverty. For example, among families headed by a male, 49 percent of families whose heads were unable to find work during 1965 were in poverty, compared with 6 percent of those who worked year-round at full-time jobs.[1]

Nearly 800,000 rural adults between the ages of 20 and 64 are unemployed. Underemployment is also a serious problem for rural people: those who have jobs are 18 percent underemployed.[2]

Every person willing and able to work must be provided an opportunity for a steady job—with wages high enough to lift him and his family above the poverty level.

We must look first to the private sector to provide more jobs. It is absolutely necessary that our national economic policies be used to stimulate employment in the private sector of the economy as rapidly as possible, while avoiding undue inflation. This is essential. But it is not enough. The hard-core poor and those outside the mainstream of the economy are often left behind. Manpower training programs and the employment service programs, discussed in chapter 4, must be greatly improved and expanded, to improve skills and to bring workers and jobs together. But beyond this, we must find a way to guarantee a job to everyone who wants one.

Low wages and underemployment are a severe handicap, even to many who have jobs. Of the 3 million American families that were poor in 1965, nearly 2 million were in poverty, despite the fact that the head of the family worked year round at a full-time job. Other families who are not counted as poor still have a miserable existence because of low wages. They are able to remain above the poverty level of income only by considerable sacrifice. To earn an acceptable income they must work long hours, often 6 or 7 days a week.

Part-time after-hours training or education, as an avenue of escape from poverty, is essentially closed to many poor people because they don't have time to attend classes. For example, during his testimony before this Commission, Mr. Tony Orona, a farmworker from Phoenix, Ariz., told us how hard it was for him to get an education:

> One of the last jobs I applied for, I was rejected because I had no high school diploma. I have felt the need of an education, but because of my job, I have no set hours. There are days that I must work 10 or 12 hours. Consequently, I cannot fit myself to a schedule for school.

Mr. Orona is one of 14 million rural people caught in a vicious circle of poverty. We shall have to find ways to break this circle. We must provide an economic environment that will enable the poor to help themselves.

## FULL EMPLOYMENT

The economic well-being of rural people is closely attuned to that of the nation as a whole. For example, farmers are affected, as their farm income and off-farm employment opportunities tend to rise and fall with the level of national prosperity. Millions of other rural people work at nonfarm jobs in rural areas, or commute to urban jobs in nearby cities. Thus, rural people are strongly affected by business fluctuations.

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[1] Unpublished data from Social Security Administration.

[2] Unpublished data, based on 1960 Census, from Economic Research Service, U.S. Department of Agriculture.

This is particularly true of the disadvantaged. The inexperienced, the unskilled, the nonwhite, the very young, the elderly, and the otherwise disadvantaged workers are the last to be hired and the first to be laid off—in rural as well as in urban industries. A typical example is the experience of a large employer just after World War II. Large numbers of Negroes had been hired during the war to meet emergency production quotas.

When the war ended a three-quarter reduction ensued in the company's work force. With the strict seniority clauses which had become a standard feature of union contracts, most of the Negroes lacked sufficient length of service to hold on to their jobs.[3]

On the other hand, during periods of full employment and rapid economic growth, proportionately more jobs are created for disadvantaged groups than for advantaged groups. Let us look at the effects of an expansion in business activity strong enough to raise employment by 1 percent among the advantaged groups—adult white males and females.[4] Much greater increases would occur among the disadvantaged groups. For example, employment would increase by—

3.3 percent among adult nonwhite males;

1.7 percent among adult nonwhite females;

3.9 percent among nonwhite teenagers; and

2.6 percent among white teenagers.

How is the general economic prosperity transmitted to the individual worker? During periods of rapid economic growth, the demand for labor increases as production increases. Shortages of certain types of labor eventually occur. As these labor shortages appear, production bottlenecks result. Employers respond in several ways. They lengthen the workweek and pay premium overtime wages. If necessary, they lower job standards, hire persons with limited experience or low productivity, and provide on-the-job training. When skilled workers are hard to find, employers often redesign jobs, so that less skilled persons may be hired to handle the more routine tasks.

These side effects of full employment and rising demand are very important to the rural poor. During prosperous times, more rural people are able to find jobs, either in rural or in urban areas. The inexperienced country lad is more readily hired and given on-the-job training during periods of full employment. Greater numbers of the poor are hired, and their work experience and productivity are enhanced. A 20-year-old with 2 years of job experience is more likely to be hired than a 20-year-old who has been idle for 2 years. Thus, employment leads to more employment, while unemployment begets more unemployment—another vicious circle.

Full employment is dependent upon the timely and appropriate choice of broad economic policies by the Federal Government. Federal action must carefully steer between measures that unduly depress the economy and those that lead to serious inflation.

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[3] National Industrial Conference Board. "Company Experience With Negro Employment." Personnel Policy Study No. 201, p. 22, chapter, "Lockheed Aircraft Corporation." 1966.

[4] Lester C. Thurow. "Employment Gains and the Determinants of the Occupational Distribution of Negroes." (Paper presented at Univ. of Wis., May 12, 1967.)

When business is booming, unemployment rates decline but prices tend to rise. Inflation is most painful to people with fixed incomes, such as those on welfare, retirement pensions, and social security. As prices rise, their monthly checks just won't stretch as far as they used to. As a result, an already inadequate level of living has to be cut back even further. On the other hand, stable prices are often accompanied by a lack of jobs, particularly for disadvantaged groups, including many of the rural poor. Thus we are sometimes faced with an inflation-unemployment trade-off.

*The Commission recommends—*

1. That the Federal Government take more vigorous action to reach the goals of the Employment Act of 1946.

The Employment Act contains the following declaration of policy:

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment production, and purchasing power.

The Commission endorses this declaration of policy. *The goals, however, have not yet been reached.* Millions of Americans are unemployed or underemployed. Economic fluctuations still occur, and during recessions even more people are thrown out of work.

The Federal Government, in cooperation with the States, should initiate comprehensive social planning, setting forth concrete goals to be attained by specified target dates. An analogous kind of planning is done, for example, in the Bureau of Public Roads; they plan to have 41,000 miles of interstate highway completed by 1974. The Federal Government, in cooperation with the States, should set forth this kind of positive goal in matters related to poverty. For example, it should be definite public policy to reduce the national unemployment rate from its current level near 4 percent to the lowest possible fractional rate of unemployment, as rapidly as feasible. Monetary and fiscal policies must be used in a timely manner, so as to keep the economy on a path toward vigorous growth and full employment while abolishing long-term unemployment and reducing instability in the private sector. Recession must be avoided, for this severely hurts all sectors of the economy, including the rural poor and other disadvantaged groups of our economy, particularly those in the poorer areas. Excessive inflation should also be avoided, but a moderate rise in prices may be necessary to achieve and maintain full employment.

Monetary and fiscal policy affect some regions and industries more than others. For example, the tight money policy of 1965 caused a sharp drop in new housing construction, leading to a sharp decline in employment of carpenters and other related occupations. The burden of adjustment to economic policy often falls most heavily on the poor. A more equitable and humane economic policy must be achieved.

*The Commission recommends—*

2. That more resources be devoted to measuring and keeping track of the effects of monetary and fiscal policy, particularly the differential effects on various regions, industries, occupations, and population groups.

Who benefits the least from expansionary economic policies? Which areas and population groups are harmed when anti-inflationary policies are put into effect? Where are the concentrations of hard-core poor who benefit least from national economic policy? These areas and groups should be identified, and higher priorities should be given to providing them with antipoverty assistance.

### GUARANTEED EMPLOYMENT

*The Commission recommends—*

3. That the United States Government stand ready to provide jobs at the national minimum wage, or better, to every unemployed person willing and able to work.†

The rural poor want work. They want to earn their own living, to be respected by their families and communities as responsible and capable people.

There is plenty of work that needs to be done in rural areas. Evidence indicates that many of the rural poor could be gainfully employed by private businesses, provided they are given adequate training to qualify for these jobs. Many others could be hired in public service jobs, to repair the dilapidated houses of the rural poor, or to build them new houses; to improve water and sewerage systems, or to build new systems where none exist today. Hospitals and schools need more workers. Highways and parks need to be improved and maintained. The rural poor can do many of these jobs, while earning a reasonable income.

The rural poor want jobs in their home community, or within reasonable commuting distance. Many of them do not mind moving to a small or moderate-size city for work, but they are often fearful of moving to the large metropolitan centers. In small cities, "There is less to overcome, less to unlearn, less to apologize for not knowing." [5]

Public service employment is not new to the United States. During the mass unemployment of the 1930's, as many as 3.7 million persons at a time were employed through emergency programs of the Federal Government. Today's public service employment programs are much smaller in scope, currently employing only 500,000 persons.[6]

As compared with the emergency programs of the 1930's, today's programs are quite different in their general approach, in that they are aimed specifically at those persons and areas that have been left behind in an otherwise prosperous economy. Today's programs are designed not only to provide valuable public service in the nation's schools, parks, hospitals, highways, and elsewhere, but also to provide education, training, and work experience to the unemployed and underemployed poor.

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† See comment by David W. Brooks at end of this chapter.

[5] The Council of the Southern Mountains. "Men Want Work." Berea, Ky., December 1966, p. 45.

[6] Garth L. Mangum. "Government as Employer of Last Resort." (Unpublished paper.)

The vast majority of Americans think public service employment is a good idea. In a recent survey, 66 percent of whites and 91 percent of Negroes favored "setting up large-scale Federal work projects to give jobs to all the unemployed," as one way to resolve race problems and prevent racial riots.[7]

We are encouraged by three programs administered by the Bureau of Work Programs, U.S. Department of Labor: Operation Mainstream, New Careers, and Neighborhood Youth Corps. These are dual-purpose programs, providing training as well as public service employment.

### OPERATION MAINSTREAM

One half of the Operation Mainstream funds go to rural areas. This program's goal is "permanent jobs, at decent wages, for poor adults with a history of chronic unemployment." Projects included in Operation Mainstream are designed to "improve both rural areas and towns or particular low-income areas." For instance, the projects may seek to decrease pollution, improve parks, rehabilitate housing, or aid in extending education, health, or social services.

To be eligible for this program a person must be at least 22 years of age, must be unemployed, and must come from a family with annual income below the poverty line—as developed by the Social Security Administration.

At the present time, the number of public service employment opportunities available under the Operation Mainstream program is about 8,100—a mere drop in the bucket. This program is providing valuable experience in recruiting and employing the rural poor, but it should be greatly expanded.

### NEW CAREERS

New Careers is a new program designed mainly for urban areas. Only 12 percent of the funds go to rural areas. This program is similar to Operation Mainstream, in terms of objectives and eligibility requirements. New Careers projects are intended to improve physical, social, or cultural conditions. The program is designed to meet critical local labor shortages in such essential fields as health, education, and public safety. Professional jobs are restructured so that routine elements may be taken over by the trainees. Priority is given to projects that, while easing the workload of professionals, will lead to permanent jobs, with opportunities for advancement, in fields that will benefit the poor.

New Careers projects were recently funded to provide work experience opportunities for 2,706 poverty level adults in 17 States. This is a very modest start, but the program is being steadily expanded. These projects are purposely located in communities where maximum prospects for future career opportunities exist. Some are located in large metropolitan cities, such as Hartford and Minneapolis; others are in smaller cities such as Roanoke and Durham, where the rural poor may have a better opportunity to participate.

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[7] Louis Harris. "Races Agree on Ghetto Abolition and Need for WPA-type Projects." The Washington Post, Aug. 14, 1967.

### NEIGHBORHOOD YOUTH CORPS

The Neighborhood Youth Corps (NYC) is the young person's counterpart of the New Careers and Operation Mainstream programs, designed to increase the employability of persons under 22 years of age from poor families. The projects help young men and women to gain work experience and earn income. The young people receive special training and career-related services that will develop their maximum occupational potential and encourage them to stay in school or return to school. Work assignments in both the public and private sector provide experience in many fields including education, conservation, health, food service, and recreation. This program includes more than 1,000 active projects, mostly in urban communities. About one third of the NYC enrollment opportunities are rural.

The Neighborhood Youth Corps is a promising form of public service employment for the rural poor, in that emphasis is given to preparing the poor for a more productive career. NYC is discussed more fully in chapters 4 and 5.

### AN ENCOURAGING START

These three programs are an encouraging start. One undesirable aspect of these programs, however, is that the Social Security Administration poverty lines are used as an eligibility requirement. These poverty lines were designed for other purposes, and are not appropriate or sufficiently accurate to be used for determining eligibility in antipoverty programs. Many people are in great need even though their incomes are a few dollars above some arbitrary poverty line. Furthermore, we favor programs that create an atmosphere of personal dignity. The onus of "poor man's jobs" must be avoided. Otherwise the effectiveness of the program will be greatly reduced. Many of the poor may be ashamed to participate, and those who do participate may be deprived of the self-esteem that is so essential to human dignity and well-being.

It is the intent of the Commission's recommendation that public service employment be expanded sufficiently so that plenty of opportunities are available to the poor, even without making poverty an eligibility requirement. Public service employment programs must be expanded to blanket the entire labor force, guaranteeing everyone a job who wants one, without regard for age, sex, race, color, creed, or residence.

One of the most difficult obstacles to expansion of public service employment projects in rural areas is lack of transportation. Many of the rural poor, particularly those in isolated areas, find it very difficult to commute daily from their homes to these jobs. In chapter 10, the Commission proposes a publicly supported rural transportation system to help overcome this difficulty.

### UNIVERSAL MINIMUM WAGE

It has long been the policy of this nation to establish a national minimum wage. However, the minimum wage legislation has covered only certain occupations. The occupational structure of the rural areas is heavily weighted with jobs not covered by the minimum wage. Consequently, rural America has been largely bypassed by the piecemeal coverage of minimum wage legislation to date. Less productive workers are often forced out of the covered occupations, thus swelling the ranks of the unemployed or the underpaid labor force in jobs not covered by the minimum wage laws. This has the effect of further depressing wages in the uncovered occupations.

This Commission firmly believes it is unjust and unethical for society to permit one segment of the population to become more affluent at the expense of other segments.

*The Commission recommends—*

4. That the wages and hours provisions of the Fair Labor Standards Act be extended uniformly, with the same minimum wage and overtime pay, to all occupations. This recommendation should be put into effect as quickly as feasible, while giving local areas reasonable time to adjust to the higher wage rates.†

## MINIMUM WAGE AND GUARANTEED EMPLOYMENT

A minimum wage law does insure that a worker will be paid at the statutory wage rate, but it does not guarantee that he will be employed. The law makes it illegal for an employer to pay less than the minimum wage.

On the other hand, some of the workers, particularly the less productive ones, are likely to be laid off and may not be able to get a job at the minimum wage. Thus, application of the minimum wage alone could worsen the condition of the least productive workers. This Commission believes that an extension of the minimum wage, as recommended here, should be accompanied by a Federal program of guaranteed employment. Together, these two recommendations would have the effect of pushing the wage rate in the unpleasant and undesirable occupations above the statutory minimum wage. This is as it should be. If we as a society want these jobs done, we should expect to pay reasonable wages, through higher prices if necessary.

As soon as a Federal program of guaranteed employment at the national minimum wage is adopted throughout the economy, the minimum wage legislation will automatically become redundant. All employers will have to pay the minimum wage or better to attract any workers, because any job paying less would go unfilled.

## DIFFICULTIES IN ATTRACTING NEW INDUSTRIES

The present low wages in some rural areas have often attracted new industries. A nationwide uniform minimum wage would tend to destroy the low wage advantage of these areas. This could have the effect of actually harming many of the areas we are trying to help.

The system of industry subsides discussed in chapter 10 could be used to offset, at least in part, this difficulty. The Commision would prefer to see the new rural industries subsidized by the nation as a whole, rather than the rural poor, who are now paid pitifully low wages.

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† See comment by David W. Brooks at end of this chapter.

## Effects on Agriculture and the Family Farm

This country has just recently started experimenting with minimum wages for hired farm-workers. The 1966 amendments to the Fair Labor Standards Act provide a $1 minimum wage for workers on most of the large farms hiring 500 man-days of labor (roughly 7 full-time men) or more in any quarter of the previous year. This includes only about 1 percent of the farms. About 160,000 workers, less than 6 percent of the people who do wagework some time during the year, are directly affected in that they were previously earning less than $1 an hour and are now covered by the legislation.[8] This minimum wage for farm wageworkers is scheduled to rise to $1.15 in 1968, and to $1.30 in 1969. No provision was made for paying overtime to farmworkers for more than 40 hours a week.

Nor was any provision made to extend the coverage to the other 2.6 million persons who do farm wagework.

The $1 minimum wage is far below the poverty level. At this wage rate, a person working 40 hours a week at one job, 50 weeks a year, could earn only $2,000 annual income. This level of income cannot provide a decent level of living, even for an average-size family. Even the $1.30 wage, scheduled for 1969, is inadequate. And as prices rise, this income provides even less purchasing power.

Recommendation 4 would extend the $1.40 an hour minimum wage to all occupations, with the $1.60 rate becoming effective Feb. 1, 1968. Overtime pay would be paid after 40 hours a week, at not less than 1½ times the employee's regular rate of pay.

As farms that hire large numbers of workers incur higher out-of-pocket labor costs, prices of some farm products may rise. Family farms operated largely with family labor will thus benefit indirectly from the minimum wage. In the short run, consumers may have to pay a bit extra for their strawberries, for example. It is the judgment of this Commission that if we as a society want strawberries, or other goods and services, we should expect to pay prices high enough to provide a decent wage for the workers who help produce them.

The long-run situation may be quite different. Farmers will search for ways to lower their costs. Machines that were previously too expensive soon become economical as a substitute for higher priced labor. New machines will also be developed and adopted to replace the hand laborers, as occurred in the harvesting of tomatoes and cotton. As these machines are adopted, the increasing productivity per worker might more than offset the higher wage rate, so that the cost of production could actually decline. This has happened many times in the past as mechanized farming methods have been adopted.

Thus, in the long run, farmers would buy and fully utilize the new machines, or hire their services from custom operators, in order to decrease unit costs of production.

Another effect of the minimum wage could be a continued reduction in farm employment, coupled with an increase in farm service occupations. Employment will probably rise in the industries that manufacture, sell, and service these machines.

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[8] Data on coverage of the minimum wage are from the Department of Labor; number of farm wageworkers is from "Farm Labor in a Changing Agriculture, Part 4," Senate Agricultural Appropriations Committee Hearings, 1967. The average annual number of hired farmworkers in 1966 was about 1.4 million. About 2.8 million people did some farmwork for wages during the year.

## EQUAL OPPORTUNITY FOR RURAL PEOPLE

One reason poverty is so widespread in rural America is that many rural people are denied equal opportunity. Racial discrimination is a severe handicap to minority groups, which account for about one-fourth of the rural poor. And rural people of all races, white and nonwhite, have been neglected and discriminated against in much of the nation's social legislation and labor legislation.

### RACIAL DISCRIMINATION

Despite the civil rights legislation of recent years, there is still widespread discrimination against Negroes, Indian Americans, Spanish Americans, Puerto Ricans, and other minority groups. Discrimination blights every aspect of their lives. But perhaps most serious are the obstacles preventing some of our citizens from getting jobs, particularly the better paying jobs with higher social status. Today's civil rights legislation contains a number of gaps and weak points. Here are a few that are most relevant to rural poverty:

- State and local governments are allowed to discriminate; furthermore, they are not included in legislation requiring the use of merit standards in employment practices (hiring, promotion, firing, apprenticeship and and other training programs, and job assignments.)
- Many small labor unions and small private employers are also exempt.
- Enforcement powers vested in the Equal Employment Opportunity Commission are weak and cumbersome.

The National Advisory Commission on Rural Poverty is strongly of the opinion that removal of discrimination is a basic step in reducing rural poverty.

*The Commission recommends—*

5. That Title VII of the Civil Rights Act of 1964 be amended to cover all labor unions and employers regardless of size, including State and local governments. It is further recommended that the enforcement powers of the Equal Employment Opportunities Commission be extended to include cease-and-desist authority for the purpose of enforcing compliance with equal employment opportunity laws, where necessary.

The Commission hopes that similar supportive actions will be taken by State and local governments, and by private industry and labor unions.

### LOCATIONAL DISCRIMINATION

Rural people in general, white as well as non-white, have been the victims of another more subtle kind of discrimination, based on location—the fact that they reside in rural areas.

*The Commission recommends—*

6. That rural people be given the same opportunity as urban people to participate in all social and economic programs designed to improve the quality of life.

Rural people have been overlooked by much of our social legislation. Until recently, for example, the Social Security Act of 1935 excluded farmers, farmworkers, and workers in farm-related industries. Most of the other social legislation has also excluded these people. Farm price-support programs have pumped billions of dollars into rural areas. But since the payments from these programs are related to the amount of land and the volume of production, the rural poor have received few of the benefits.

Some of the antipoverty programs, such as Special Impact and New Careers, are geared primarily in urban areas. In general, the rural poor have received far less than their fair share of antipoverty funds. Rural areas contain 40 percent of the nation's poor people. And in view of the high average cost of serving people in an area of low population density, these areas should actually get *more* than 40 percent of the funds. But in reality, rural areas today receive less than one-third of the OEO funds. In earlier years they got even less. This is partly because local governments have been unable, and in some cases unwilling, to overcome the redtape involved in getting the antipoverty projects funded.

Thus, the rural poor have been subject to discrimination on the basis of their residence.

## EQUAL OPPORTUNITY BEFORE THE LAW

Many rural families have been thrust into great hardship and privation because of unfair treatment before the law. Many of the problems disclosed by the recent Crime Commission report[9] are doubly severe in rural areas.

A few of the situations that cause or perpetuate rural poverty are are as follows:

- Excessively high bond requirements. Many of the poor must go to jail for minor offenses, or for crimes they did not commit, because they cannot post bail. They lose their jobs, and have trouble getting new jobs after they get out of jail. Meanwhile, their families suffer great economic, physical, and psychological hardships.
- Lack of adequate legal counsel. A good lawyer can inform the accused of his rights, and can often protect him against unjust imprisonment, thus preventing his family from becoming destitute.
- Lack of rehabilitation training and job placement. After a long jail term, a person comes out with fewer marketable skills and less chance of getting an adequate job than when he went into jail. This perpetuates his misery and that of his family.

All of these problems, plus many more too numerous to mention here, can and must be corrected—in rural as well as in urban areas.

*The Commission recommends—*

7. That State and local governments give immediate attention to changing laws where necessary and reforming correctional institutions so as to protect the rights of rural people.

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[9] The President's Commission on Law Enforcement and Administration of Justice. "The Challenge of Crime in a Free Society." Feb. 1967. Washington, 340 pp.

### DISCRIMINATION IN LABOR LEGISLATION

Rural workers have been excluded from coverage of protective labor legislation that guarantees workers' rights to organize and to bargain collectively. Nor have they been protected against injury on the job, or against the risk of unemployment and disability. Until recently, farmworkers, especially, were untouched by these labor laws that most urban industrial workers take for granted. Even today, most farmworkers and many rural nonfarm workers are excluded.

Great injustice has been done in extending coverage of certain types of labor legislation to some workers and not to others. The Commission proposes to end the traditional discrimination against rural workers by extending the protective labor legislation to cover all workers.

*The Commission recommends—*

8. That the provisions of the National Labor and Management Relations Act, workmen's compensation laws, unemployment insurance, and old age survivors and disability insurance (OASDI) be extended uniformly to all workers.

### A COMBINED EFFORT IS NEEDED

The Commission believes that the recommendations proposed in this chapter can greatly improve the economic environment and set the stage for the elimination of rural poverty. However, no one of these recommendations by itself can do the job. A comprehensive and coordinated plan of action must be implemented if the economic environment is to be made really favorable.

And even with a favorable economic environment, much more will be needed. The following chapters present additional recommendations that are essential to the elimination of rural poverty.

### MEMORANDUM OF RESERVATION BY DAVID W. BROOKS CONCERNING RECOMMENDATION 3

I question feasibility of government offering jobs to everyone at minimum wages because this would move many people from industry to government but I certainly prefer giving jobs to people rather than giving guaranteed income to them regardless of whether they work or not.

### MEMORANDUM OF RESERVATION BY DAVID W. BROOKS CONCERNING RECOMMENDATION 4

*Although it is highly desirable for all farm labor, including owners of farms to have the benefit of minimum wages, I do not believe that the hours provision of the Fair Labor Standards Act can be properly extended to agriculture.*

In the case of industry, hours can be planned, but not in agriculture due to weather conditions. All farm workers must work long hours during certain periods in order to prevent a [illegible] loss of production. Requiring payments for overtime work during these periods would force agriculture to pay a higher average wage rate than industry.

If agriculture is required to pay such wages, it is absolutely necessary, simultaneously, that the law provide parity prices and income for farms paying such wages.

### MEMORANDUM OF RESERVATION BY DAVID W. BROOKS CONCERNING THIS AND FOLLOWING CHAPTERS

Although I have refrained from making a minority report, in my opinion some parts of the report cover matters which have little, if any, connection with the problems of rural poverty and, therefore, should have been eliminated.

## Chapter 4.—Manpower Policies and Programs

Every year millions of Americans pack up their belongings and hit the road in search of a job and a better place to live. A good many end up in the ghettos of our cities. Others continue to wander, swelling the ranks of migratory labor.

As a nation we have never really been much concerned about all this. We let the wandering go on and on without guidance. We may deplore the long-term consequences, when they take the form of violent riots in our cities, but deploring the consequences doesn't remove the causes.

It shouldn't be beyond the wit of man to provide some guidance to a potential migrant. At the moment, however, we are not equipped to tell him where he can get a job, or what the pay will be, or whether it is a job he can do, or how he can be trained for a new job, or where he can live, or what the rent will be, or whether he ought to take his family with him. We give him no choice but to try a leap in the dark. It shouldn't surprise us that the result is often tragic.

No one in his right mind would attempt to prevent Americans from moving from one place to another in search of jobs and homes. Some movement of this sort is desirable and inevitable in a free society. But aimless migration, born of desperation, by millions of Americans every year, doesn't make sense in a rich nation.

Not every low income family in rural America wants to move to the city, nor should it have to. Nor do the people who roam the highways every year in search of a job and a place to live do so because they have the wanderlust. They migrate because they don't know what else to do. There is a way to attack this problem. The first step is to agree on a nationwide manpower program, covering both rural and urban America, and the second step is to put it into effect. So far, we have taken neither of these steps.

This chapter explains what a nationwide manpower program involves and makes specific recommendations for building it.

The current situation in rural America is this: Employment in agriculture, forests, mines, and fisheries is declining faster than new jobs are being created in rural areas by construction, manufacturing, and service industries. At that, the rural unemployment get few of such new jobs as are created. They often don't know the job exists, they lack the skills needed, and they can't finance a move to a new job. So they remain poor.

Nationally, the unemployment rate has been running slightly under 4 percent. In rural areas the rate is much higher.

The seasonal nature of farmwork intensifies the problem. Not only is unemployment in agriculture about twice the annual average in nonagricultural industries, but the monthly employment rate also fluctuates sharply. In July of 1966 the agricultural unemployment rate was 3.5 percent. But earlier in the year, in February and March, it was 11.6 percent. In nonagricultural industries the unemployment rate did not fluctuate by as much as one percentage point throughout 1966, and the average for the year stayed close to 3.4 percent.

As a matter of fact, the situation is a good deal worse than the figures on unemployment suggest. Official statistics count a rural resident as employed if he works part-time, or a few days a month. The truth, of course, is that he is often underemployed, and almost as badly off as if totally unemployed. We have evidence that underemployment is widespread in rural areas, and as acute a problem as unemployment.

Using 1960 census data the United States Department of Agriculture has estimated the amount of underemployment among employed rural residents.[1] The figure is 18.3 percent for all employed rural residents; 16.3 percent for males and 23.7 percent for females.

The rate of underemployment was 8.3 percent for rural nonfarm males, and 20.4 percent for females. The rate of underemployment was highest among rural farm residents: 36.6 percent for females and 37.1 percent for males.

We find high rates of unemployment and underemployment among operators of small farms as well as among hired farmworkers and migratory laborers. Among rural people working in forests, mines, and fisheries, we find a pattern of irregular employment, low wages, and poor working conditions.

There aren't enough new jobs opening up in rural areas to wipe out rural unemployment or make a dent in rural poverty. Even where new jobs do appear, the applicant needs help in acquiring a new skill for the job, in adjusting to new working conditions, or in moving to a new location.

Some people in rural America are able to find new jobs and acquire new skills with little assistance. Some climb out of poverty unassisted by moving out of a poverty area or by shifting from farm to nonfarm occupations. But for many others the move from farm to city, or from farm to nonfarm job, merely transfers their problems and their poverty. Still others, because of age or family ties and the lack of employment, have to stay where they are, boxed in.

### A COMPREHENSIVE AND ACTIVE MANPOWER PROGRAM

Changes in our rural economy are coming so fast, and they are so sweeping, that few rural workers can adjust to them without help. A manpower program can provide that help.

To be effective, the program must meet the specific needs of both workers and employers. The manpower services established by the program must be readily accessible throughout the country and also flexible enough to meet unique problems of workers, employers, and labor market areas.

To be effective the program will have to meet these requirements:

- Serve specific needs of both workers and employers.
- Make manpower services accessible to workers and employers in convenient locations throughout the country.

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[1] Unpublished data from the Economic Research Service, U.S. Department of Agriculture.

- Provide enough flexibility to meet the different problems of different workers, employers, and labor market areas.
- Be able to apply manpower policies actively and aggressively at local, State, and national levels.
- Have the capacity to assist workers and employers at the time they most need it.

## THE NEED FOR MANPOWER SERVICES IN RURAL AREAS

More manpower services are needed to assess the capabilities of rural workers, to determine their problems, and to help them to prepare for jobs that afford self-esteem, dignity, and earnings to lift them out of poverty and to prevent others from falling below the poverty line. The availability of critical manpower services is an integral part of meaningful job opportunity for many rural workers and should be accessible to them in their immediate communities.

The Federal-State Employment Service system is the logical organization through which adequate manpower services can be extended to rural and urban workers. However, certain legislative, organizational, administrative, and programmatic changes in the employment service are required to transform it into a viable and active force in rural communities.

The legislative authority on which the employment service system is based should be updated. Since 1933, when the employment service was established by the Wagner-Peyser Act, the role of this agency in the job market has expanded and shifted. Since its inception, the employment service has been concerned with finding jobs for workers in private and public employment. In the depression years of the 1930's this mission took the form of referring workers to relief and public works programs. With the passage in 1935 of the Social Security Act and the provision for State unemployment insurance programs, the employment service was given another responsibility—that of providing "work tests" necessary for the determination of workers' eligibility for unemployment benefits.

Subsequent legislation, which provided for benefits to returning service men and women from World War II and the Korean conflict, further increased the responsibility of the employment service for administering parts of these programs and for helping veterans to readjust to civilian employment conditions.

In the 1960's the employment service was assigned new responsibilities in the implementation of the Area Redevelopment Act, the Manpower Development and Training Act, the Economic Opportunity Act, the Trade Expansion Act, and a host of other manpower legislation that requires job market information programs and the provision of manpower services to workers and employers. Public demands for assistance through the employment service are likely to increase in future years.

Yet the employment service does not operate as a well-integrated, efficient system with a clear legislative mandate comparable to the tasks that it is expected to perform for all workers who need critical manpower services. The manpower services that the employment service is providing for rural workers are especially deficient. These services are nonexistent in some rural communities. Often they are most deficient where they are most needed.

In addition to low quality of manpower services in rural areas, a dearth of usable labor market information, and the wide disparity and gaps in available manpower services from urban to rural areas and even among rural areas, the manpower service system is fragmented.

For example, the Farm Labor Service deals with agricultural workers and employers as a special clientele. There are similar attempts to deal with migratory farm labor and other segments of the labor force. Such fragmented approaches have failed to meet the needs of their clientele, mainly because the employment and manpower service needs of many of these workers extend far beyond the areas and industries to which they are attached. Some agricultural workers need services that relate to nonagricultural employment, some urban workers need manpower services that relate to agricultural employment or to nonfarm employment in rural areas.

Because of the direct linkages and interrelations between rural and urban areas, and farm and nonfarm occupations and industries, a comprehensive approach to meeting the needs of all workers in an integrated and coordinated fashion is sorely needed.

*The Commission recommends—*

1. That a comprehensive Manpower Act be enacted by Congress to establish a national policy of providing necessary manpower services to all workers.

The new national manpower policy should make adequate provisions for the coordination of existing manpower programs, the establishment of necessary new programs, and the inclusion of all such programs into a national comprehensive attack on employment problems. The Federal-State Employment Service system should be restructured and upgraded to occupy a key role in the implementation of the national comprehensive manpower program.

The local offices of the employment service should continue to certify workers' eligibility for unemployment benefits based on the availability of suitable work. However, the employment service and its local offices should be relieved of all other responsibilities pertaining to the processing of unemployment compensation claims and the administration of the unemployment compensation system. This would enable the employment service to concentrate on its main concern—matching workers with jobs, and related functions. Then, an image of the employment service could be projected that would attract workers and employers who need these services.

*The Commission recommends—*

2. That the Employment Service System and the Unemployment Compensation System be separated, legally and adminstratively.

To some extent, the poor quality of manpower services available to rural workers generally, and the wide disparity of manpower services among regions, States, and areas, can be attributed to the current organization of the Federal-State Employment Service System. Actually, there are 50 State systems and a Federal system, all financed totally by the Federal Government. The Federal system consists of a national office and 11 regional offices. The national office has jurisdiction over the regional offices. However, neither the national office nor the regional offices have real jurisdiction or authority over the State systems. The regional offices serve more or less as liaison and mail drops between the national office and the States. The national office can suggest guidelines and standards through the regional offices for the States. However, such guidelines and standards can be ignored by the State employment service administrations since they are subject to the authority and jurisdiction of State governments. Indeed, most of the top administrative offices in the State systems are political appointments. Reportedly, in some States almost all of the personnel in the State offices are political appointees. The Commission does not wish to condemn political appointment in the employment service per se. However, such appointments should not be allowed if they are not in the best interest of the employment service program.

In short, the State employment service systems operate mostly as independent entities and there is no supervisory or regulatory body exercising real authority and leadership in coordinating them to the end of providing high quality, dependable manpower services in all parts of this country.

*The Commission recommends—*

3. That the Federal-State Employment Service be reorganized to form a national unified system with appropriate assignment of responsibility and authority at the Federal, regional, State, and local levels. If it is necessary to federalize the employment service to implement fully a comprehensive manpower program in all areas, the Commission would endorse such a measure.

A comprehensive Employment Service Act should be enacted by Congress, and the Office of Farm Labor Service and other agencies primarily concerned with such functions should be combined into one national employment service system. A beefed-up program should be structured for the regional offices. New guidelines and regulations with teeth in them should be formulated and issued to the States. The national office, acting through the programs of the regional offices, should cooperate actively and creatively with the States in extending standard manpower services to all workers through the local offices.

*The Commission recommends—*

4. That the Federal Government participate in the employment service programs at State and local levels, to whatever extent is necessary to guarantee equitable and complete service to all rural people.

In part, the inadequacy of the current employment service system in meeting the manpower needs of rural workers can be attributed to insufficient allocations of financial resources to this important end. Currently, there are about 2,000 local employment security offices in the entire United States. Many of these offices operate part-time. Many only accept unemployment compensation claims and do not engage in any employment service activites. The range of services and the equalifications of staff personnel vary widely. The present number of offices engaged in employment service activities is hardly enough to serve workers in more than 3,000 counties and a host of cities, towns, and districts.

*The Commission recommends—*

5. Increased appropriation of money for the purpose of enlarging and upgrading the employment service staff, especially at the local level, and for increasing the number of employment service offices to

the level required to provide standard manpower services to workers throughout this country.

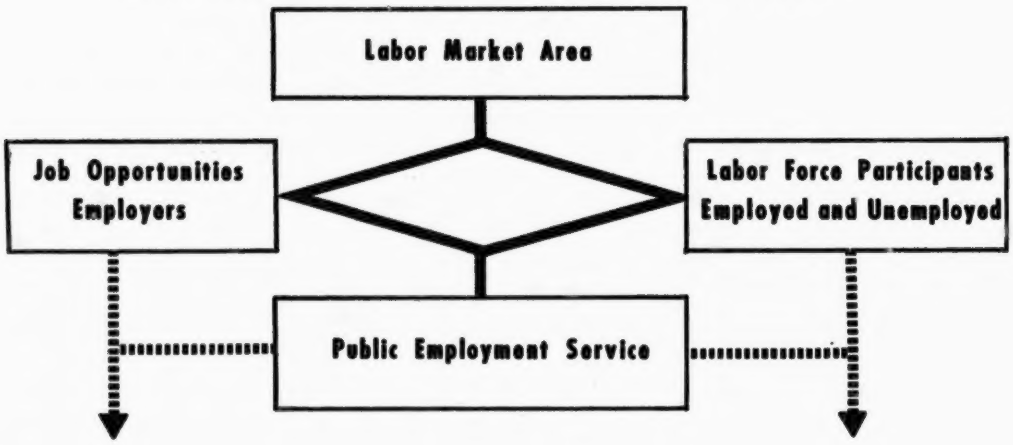
A modernized employment service system will do little for rural workers without substantive manpower programs tailored to finding jobs for these workers and for helping them to qualify for the kind of work for which they are best suited. The local offices of the employment service are convenient points of contact with workers and employers who need or could benefit from certain services. In the context of a typical labor market area, a suggested "package" of manpower services is presented in table 1.

Manpower services extended to workers through the employment service sytem must be organized as manpower programs. From the standpoint of workers and employers in local labor market areas throughout this nation, several related programs can be discerned from sorely needed services. They include:

1. A labor market information and placement program.
2. An individualized manpower assessment program.
3. A job-oriented training and retraining program.
4. A manpower adjustment program.
5. A comprehensive and active approach to manpower problems.

In the remaining part of this chapter recommendations are offered to improve these programs and to make them available to rural workers.

TABLE 1.—Schematic presentation of typical local employment service program.



| *Services to Employers* | *Services to Workers* |
|---|---|
| 1. Matching job vacancy and worker (collection of data on current and anticipated job vacancies). | 1. Matching worker and job vacancy (collection and processing of data on job applicants). |
| 2. Consultation on labor problems and requirements internal to firms and establishments (skill shortage and labor turnover, for example). | 2. Testing, occupational guidance, career counseling, and recruiting. |
| 3. Consultation on labor market conditions and trends external to firms and establishments. | 3. Dissemination of job market information; publication of job vacancy data; use of mass media bulletins. |
| 4. Consultation on complying with labor laws and standards; requirements for participating in on-the-job training programs subsidized by Government and similar prgorams. | 4. Referrals to job-oriented training and retraining slots, including institutional training, apprenticeship training, and on-the-job training; also referral to literacy training, general education, technical and professional. |
| 5. Assistance in dealing with manpower problems connected with plant location, shutdowns, cut-backs, and expansion; assistance to farmers with seasonal manpower requirements. | 5. Administration of labor mobility and relocation programs, certification of eligibility, payment of allowances; arrange for and provide necessary supportive services to commuters and migrants. |

## IMPROVING THE LABOR MARKET INFORMATION SYSTEM

If a worker is unemployed or underemployed, or if he contemplates entering the labor force, reliable information about available job opportunities and conditions surrounding them is essential to his decision and efforts to participate more effectively in the labor force. Such workers need adequate, reliable, and current information on job vacancies, including the essential characteristics and requirements of existing job vacancies as well as the conditions under which jobs can be obtained and held.

Similarly, employers who need workers as a result of expansion or regular turnover of their work forces must have adequate, reliable, and current information on the qualifications and requirements of job applicants in order to hire workers for jobs in which they can make the most satisfactory contributions to productive activities. In job seeking and hiring, the individual decisions of workers and employers can be improved by extending to them more and better job market information.

However, this is only a part of the justification for a viable and comprehensive job market information system. Such a system is also indispensable to an active labor market program which is needed to assist disadvantaged workers, especially in rural areas.

The present system of collecting and disseminating job market information to employers and job applicants is disjointed and fragmentary. Not enough of the total number of job placements are effected through the public employment service.

Apparently, most workers and employers are not aware of the worker-job matching service offered by public employment offices, or they feel that superior information is available through other channels, such as private employment offices, word-of-mouth, directly from employers, or through mass communications media. Employers file only a small share of their job vacancies with the public employment offices, and they reject a high percentage of the job applicants who are actually referred by these offices. This means that the public employment service penetration of the job market is small if not almost negligible in many labor market areas despite the recent establishment of 150 Youth Opportunity Centers to serve the needs of disadvantaged young workers.

The placement penetration rate—jobs filled by the employment service as a percentage of the total openings—is estimated at 16 percent for the United States. This compares with 40 percent for West Germany, 33 percent for Sweden and the Netherlands, and 25 percent for Great Britain. Experts are of the opinion that penetration rates of not less than 25 to 30 percent would be needed to enable an employment service to do an effective placement job and to provide essential labor market information for an active manpower program.[2]

Hence, the overall placement penetration rate of the employment service in the United States must be greatly increased if we are to have and effective manpower program.

Undoubtedly, there are wide variations of placement penetration rates among local employment service offices. Most likely those with the lowest placement penetration rates are located in rural areas. This results in great disparity and deficiency in the quality and range of manpower services available to rural workers.

If all employment service offices extend their outreach in the manner recommended beow, an increased volume of job market information can be generated for each area. Surpluses and shortages of job vacancies and job applicants can be ascertained for each area in any given period, a persistent surplus of job vacancies should stimulate increased recruitment activities, or job-oriented training. A surplus of job applicants should signal intensified job development or job creation in the private sector through investment incentives, or through public service employment. In this way manpower problems could be foreseen and prevented.

*The Commission recommends—*

6. That all employment service offices actively collect and maintain current lists of job vacancies in the public and private sectors of their immediate labor market areas. Federal, State, and local governments should file their vacancies with the employment service offices.

*The Commission further recommends—*

7. That all employment service offices actively collect and maintain current lists of workers in their respective labor market areas who are

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[2] Alfred L. Green. "Manpower and the Public Employment Service in Europe, a Study of Programs and Operations." December 1966, p. 19.

available for job placement. Special efforts should be made to register the unemployed, the underemployed, and disadvantaged workers.

This kind of aggressive outreach can be expected to bring the employment service offices in closer contact with problems of workers and employers.

Another aspect of the labor market information program concerns the linkage of sources of information from the demand and the supply sides of area, regional, and national labor markets and the effective use of information sources to rationalize and coordinate manpower programs.

The Commission finds that current data on employment conditions in rural America are not available as they are for metropolitan areas. The decennial census alone, on which most estimates of employment conditions in rural areas for intervening periods are based, is not sufficient. The dearth of information and data on rural areas in which unemployment and underemployment are concentrated leads to neglect of these problems. Greater dispraity in the application of policies and programs to reduce these problems can result from differences in the quality and scope of available information for rural and urban areas.

*The Commission recommends—*

8. That apropriate Government agencies (the Bureau of Labor Statistics and the Bureau of the Census) in cooperation with the Employment Service undertake regular surveys of labor market conditions in rural areas, comparable to those currently conducted for metropolitan areas and the nation as a whole.

The recommended labor market survey data should be combined with supplementary data sources to provide a clear picture of the magnitudes, dimensions, and trends of employment, unemployment, and underemployment in rural areas. Analysis and use of labor market data from all sources should be an integral part of the manpower planning and development process.

*The Commission recommends—*

9. That the local public employment office(s) in each labor market area be required to develop annual comprehensive plans for providing maximum feasible employment and training opportunities for labor force participants in their respective areas.

These comprehensive manpower plans should be based on current and anticipated job vacancy data and job applicants data in addition to other complementary sources of data. Modern electronic and telecommunication equipment and techniques should be utilized, where feasible, to process, store, and transmit information on job applicants and job vacancies that cannot be matched within areas to other areas where surplus job vacancies and workers exist.

Recently, the Department of Labor in cooperation with other government agencies initiated a Cooperative Area Manpower Planning System (CAMPS). It involves the development of annual manpower plans in all States and in some localities in accordance with Federal guidelines issued jointly by the participating Federal agencies. The plan helps to coordinate the programs of MDTA and OEO, and other human resource programs. Rapid extension of the CAMPS program to rural areas would be a step in the direction of the Commission's recommendations.

Local labor market areas comprise regions, and regional labor markets comprise the national labor market in which workers and employers in all parts of this nation should have access to knowledge about jobs and job applicants wherever they exist.

*This Commission concurs with the recommendations of the National Commission on Technology, Automation, and Economic Progress:*[3]

> With local centers feeding into regional centers information relevant at that level, and these in turn feeding into a nationwide job and manpower bank, the service could provide detailed information on the manpower requirements of job vacancies and the personal characteristics of job seekers. The technological knowledge is available for the equipment and the costs are within reasons.

*The Commission recommends—*

10. That a computerized nationwide service for matching workers and jobs be established and maintained as an integral part of the U.S. Employment Service system.

### MANPOWER ASSESSMENT PROGRAMS

Based on extensive job market information, local employment service offices should occupy excellent positions for counseling workers on the requirements, working conditions, and salary scales of present and future jobs. Such important information should be supplied, free, to individual workers, to the public schools, and to organizations concerned with education, training, and the development of human resources.

However, intelligent decisions regarding the occupation or profession that individuals wish to follow are based on more than a knowledge of the present structure of opportunities and how they are shifting over time; they are also predicated on an assessment of individual achievements, personal traits, aptitudes, and capabilities. Aspirations that last for a lifetime are often formed at early stages of childhood. Some are passing dreams but many harden into commitments and occupational attachments. For the poor, the development of aspirations is too frequently delayed, distorted, and frustrated by the conditions under which they live. As the conditions that stifle aspirations of our poor youths in rural America are alleviated, the employment service could perform a useful service by helping them to discover themselves in relation to present and future job opportunities.

The smaller communities' program is another example of a possible approach to meeting the needs of rural workers, employers, and areas for comprehensive manpower services. This program utilizes mobile teams of interviewers, counselors, and test administrators and is initiated in a community at the request of local leaders.

The program helps individual residents of rural communities by providing them with the services—counseling, testing, and placement—of a regular employment office. Each individual in the labor force has the opportunity to discuss his work plans with a profession-ally trained employment counselor. Applications and test results are turned over to the nearest local employment office for continued service.

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[3] National Commission on Technology, Automation and Economic Progress. "Technology and the American Economy." Vol. 1, February 1966, p. 50.

The program also helps community development organizations by making a comprehensive study of the manpower resources of the area, including information on the potential skills of the work force. This information on potential skills is of particular interest to prospective employers and can also be used in developing vocational training programs. The program also assists development groups in making a detailed study of the other resources in the area which can be used by the community in planning for the expansion of job opportunities.

After 3 to 4 months the team moves on to another rural county. From 1959 to the end of 1964, 42 counties had received the services of this program.[4]

Again, the smaller communities' program is an example of token effort in the right direction, However, the job of helping rural workers to catch up and to participate effectively in the labor force will never be accomplished except through a massive program extended to workers everywhere in this country on a regular basis.

An active vocational counseling and guidance program is needed in every rural community to prevent much of the unemployment, underemployment, and misallocation of human resources that we observe in rural America today.

Local employment service offices should not be expected to provide all of the vocational guidance and counseling services that are needed in rural America. However, they should be expected to provide job-market-oriented information for counseling programs in schools and other local institutions working with young people. Moreover, they should be prepared to offer professional vocational guidance and counseling services to current workers.

*The Commission recommends—*

11. That a manpower assessment program be extended to workers and youths through the local employment service offices.

This program should include testing, counseling, work samples, and other techniques needed to enable workers and youths to assess their capabilities and to make free and intelligent occupational choices.

Individual assessments and occupational choices of persons in each local market area should be recorded, aggregated, and cross-tabulated by age, sex, etc. Analysis of these data in relation to present and future manpower requirements could be used to forecast possible labor market imbalances. Appropriate steps can be taken to prevent or reduce them.

### JOB-ORIENTED TRAINING AND RETRAINING PROGRAMS

For workers in rural America who experience frequent or prolonger periods of unemployment and underemployment, suitable training opportunities with jobs at the end of them are perhaps the most meaningful and productive assistance that can be provided. Adequate training opportunities are necessary in order to enable many workers to act on the information and advice obtained through vocational guidance and job market information programs.

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[4] U.S. Department of Labor, Bureau of Employment Security. "Smaller Communities' Program." Employment Security Review and Employment Service Review.

There is absolutely no question about the desirability of providing adequate training opportunities to workers, especially disadvantaged workers. Benefits to trainees and to society far exceed the costs of offering training programs. For example, one investigator conducted a study of 373 Connecticut workers who were involved in job training courses. The purpose of the study was to weight the benefits and the costs of retaining the unemployed and to determine if retaining the unemployed is a good investment for the individual workers, the government, and the economy.[5]

Among other findings the study revealed that:

(1) The average annual gross income of the workers who used the retraining was $500 greater than their expected incomes in the absence of retraining.

(2) Over a 10-year period, however, the total economic value to the average individual in the total sample was estimated at between $450 and $850. In a decade, estimated benefits to individual trainees are reduced considerably by increased income and social security taxes, smaller unemployment benefits, and the extent that retrainees leave the occupation for which they were trained.

(3) Expected benefits per worker enrolled in retraining were much higher for the government than for the individual. Expected benefits to the government per worker—defined as increases in tax revenues, decreases in unemployment transfer payments, and the average present value of the expected benefits of retraining for the economy—were estimated at between $5,500 and $8,000 for a 10-year period.

(4) Retraining benefits were multiplied still more in the total economy by virtue of making unskilled and semiskilled jobs available to other workers who would otherwise be unemployed. The net benefits to the total economy per worker over the 10-year period were estimated as being between $20,000 and $30,000.

Considerations of benefits in relation to costs of retraining yielded benefits worth 2.5 to 5 times the costs to the previously employed worker. Benefits to the government were 16 to 23 times the costs to the government, and benefits to the economy were 67 to 100 times the costs to the economy.

Despite the enactment of the Manpower Development and Training Act (MDTA) of 1962, as amended, the organization of job-oriented training programs is scattered among several Federal agencies. The job training system is disjointed, and there is little likelihood that a sufficient number of training slots will be available in any location or areas to meet the training needs of workers.

In comparison to the extensive training needs of unemployed and underemployed workers in rural and urban America, institutional and on-the-job training under MDTA are only token operations.

The total number of trainees approved in the MDTA program for the fiscal year 1967 is estimated at 250,000. Manpower training under the act is projected for 500,000 persons by 1970—300,000 in the institutional program and 200,000 in the on-the-job training program. This will provide training for less than 1 percent of the estimated labor force of 86 million workers by 1970.[6]

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[5] M. E. Borus. "A Benefit-Cost Analysis of the Economic Effectiveness of Retraining the Unemployed." Yale Economic Essays, vol. 4 (2), Fall 1964. New Haven: Yale University Press, 1964.

[6] Congress of the United States, Joint Economic Committee. "Federal Programs for the Development of Human Resources." Vol. 1. December 1966, p. 374.

The fragmentation of training programs is due partly to the lack of assignment of responsibility to a single authority for overall planning, coordination, and administration of these programs.

At the Federal level, responsibility for the administration of job training programs is distributed among several agencies. The bulk of the responsibility for vocational education is assigned to the Vocational Education Division of the Department of Health, Education, and Welfare. Work experience programs under Title V of the Economic Opportunity Act have been delegated to HEW by OEO and are administered in the framework of the welfare programs. OEO operates the Job Corps program itself, but has delegated the Neighborhood Youth Corps (NYC) to the Department of Labor. Within the Department of Labor MDTA is administered by the Manpower Administration. The Bureau of Employment Security, the Bureau of Apprenticeship Training (BAT), the Bureau of Works programs, and the Office of Manpower Policy, Evaluation, and Research (OMPER) are components of the Manpower Administration. These manpower and training programs have not been consolidated and integrated into one national comprehensive manpower program. Moreover, the need for coordinating the Department of Labor training programs with those in HEW, OEO, the Economic Development Administration, and the other Federal agencies has not been satisfied.

At the State and local levels, job-oriented training efforts are weaker and more fragmented than they are at the Federal level. There are 50 or more departments of vocational education, or equivalents, in 50 States, operating 50 or more vocational education progams. Gross disparities in quality and scope of vocational education often exist from State to State, and from school district to school district within States. Generally, the training received by young people in vocational education courses is not geared to preparation for jobs or to requirements of the job market.

In far too many cases, job-oriented training, and literacy training to support it, are not available at all at the local level. Frequently, no local coordinating agency exists, or it does not act affirmatively to mobilize and organize training resources in local communities to meet the training needs of adult workers. The relatively few MDTA and BAT training projects and activities in this kind of setting, so prevalent in rural areas, usually screen easily trainable workers from the top, leaving those most in need of training untouched, and widening the gap between relatively advantaged and disadvantaged workers.

*The Commission recommends—*

12. That all existing manpower development, training and retraining programs be organized and administered as a single comprehensive job training program. Training activities under the Manpower Development and Training Act, the Bureau of Apprenticeship and Training system, the Bureau of Works programs, OEO training programs, and similar programs should be incorporated into the comprehensive training program and closely coordinated with the functions of the Vocational Education Division of the Department of Health, Education, and Welfare.

Training activities at the State and local levels should be coordinated and properly integrated into the comprehensive manpower program.

In the modern dynamic economy that exists in the United States today, job skills become obsolete at a fast rate. The skills required to perform most jobs change so fast that workers cannot keep up with them through job performance alone. Sometimes jobs and the skills needed to perform them disappear altogether. New skills must be acquired if some workers are to continue to work or to participate effectively in the labor force. Hence, there is a great need for workers to continue training while holding jobs, or to return to training full time. Many firms, labor unions, and other organizations have established programs to provide people with an opportunity to improve their skills in order to qualify for better jobs. However, curent job-training opportunities fall far short of meeting the total training needs of rural workers.

This shortage of job opportunities in rural areas, especially on farms, has precipitated a massive exodus of manpower from rural to urban areas that dates back at least to 1920. Gross migration probably was two to three times as large as net migration during this period.[7] During the 1950's net migration from farms was over 1 million per year. Since 1960 it has declined somewhat to more than 850,000 persons per year. However, the slight decline in farm to nonfarm net migration is due largely to the reduced number of farm residents rather than to a reduction in the number of migrants relative to the number of farm residents.[8]

*The Commission recommends—*

13. That adequate job training opportunities be provided for workers to maintain and upgrade their skills and to qualify for better jobs.

Institutional and on-the-job training programs through MDTA plus apprenticeship training programs should be coordinated with vocational education in rural communities to meet the total training needs of rural workers.

Many rural workers and adults, especially in the South, need literacy training and other types of training that do not relate to job skills as such. Nevertheless, such training is fundamental to occupational preparation, to job holding, and to participation in civic and community life.

### MANPOWER ADJUSTMENT PROGRAMS

Sufficient job vacancies do not exist in some labor market areas to employ all labor force participants residing in or near these areas.

Through guaranteed employment as recommended in chapter 3, additional jobs can be developed and created, but chronic unemployment and underemployment may still exist in some areas after such possibilities have been exhausted. At the same time, labor shortages—more job vacancies than job applicants—may exist in other areas. Such labor market imbalances can be reduced, and in some cases eliminated, by providing minimum assistance to workers who may wish to move from areas where jobs for them cannot be found, developed, or created, to other areas where jobs do exist.

In a dynamic economy, labor market imbalances often shift through time from area to area. In order to remain employed or to obtain gainful employment in their chosen occupations some workers may find it necessary to move from labor surplus areas to labor shortage areas. Sometimes jobs which cannot be found for unemployed workers in their area of residence are plentiful in other parts of the region, State, or county. Without minimal assistance some workers are not able to relocate themselves and their families in order to accept jobs, or to undertake job training.

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[7] C. E. Bishop. "Dimensions of the Farm Labor Problem." in Farm Labor in the United States, C. E. Bishop, ed., Columbia University Press, New York: 1967, p. 5.

[8] U.S. Department of Agriculture, Economic Research Service.

Since 1963, the U.S. Department of Labor has conducted demonstration mobility projects under the provisions of the Manpower Development and Training Act. These projects have been conducted under a variety of conditions. The Public Employment Service has had about 2 years' experience with pilot projects to provide employment opportunities by relocating workers.

Through September 1965, over 14,000 workers were interviewed in 16 mobility projects in 14 States. Of the 6,216 found initially eligible for relocation assistance, 2,086 indicated that they were not interested in relocating. Of the remaining workers, 1,336 were actually relocated to jobs in other areas.[9]

Certain factors have been identified as being essential to a successful relocation program. First, workers must possess training, skills, and talents required by their new jobs. It was also found that workers must be motivated by a sense of personal or professional achievement to be gained by relocating.

For unskilled poverty-stricken workers, financial allowances have proved invaluable in assisting them to relocate successfully. For certain groups, such as relatively disadvantaged workers moving from rural areas to urban areas, supportive services take on more importance than financial assistance. Movements from rural areas to small towns and cities require fewer supportive services than movements from rural areas to large cities. Provisions for supportive departing and settling-in services should be a part of any relocation program.

Major obstacles to relocation include lack of suitable inexpensive housing, prospect of financial loss in selling present home, number of children in school and proximity of the move to the beginning or close of the school year, lack of information, and false hopes of things getting better where they are.

*The Commission recommends—*

14. That a relocation program be established in the Department of Labor and that mobility and relocation assistance be provided for disadvantaged workers who cannot find gainful employment where they now live, but for whom jobs and training opportunities can be located in other labor market areas.†

A worker is deemed to be disadvantaged, from the standpoint of this recommendation, if he or his primary family is poor by the prevailing poverty criteria. A poor worker and his family should be eligible for necessary assistance, including financial payment and supportive services, if he desires to move and if suitable job opportunities or training opportunities cannot be found in his home area.

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[9] U.S. Department of Labor, Bureau of Employment Security. "Moving Workers to Where the Jobs are." Employment Service Review, June 1967, pp. 38–40.

† See comment by Vivian W. Henderson and James O. Gibson at end of this chapter.

*The Commission recommends—*

15. That for the purpose of administration, coordination, and certification of eligibility, the local public employment offices should perform key roles in the implementation of the relocation program.†

Expanded and improved, as suggested in other parts of this report, the public employment offices should integrate mobility and relocation assistance into the area manpower planning and development program. Relocation payments should include:

a. Travel and living allowance for persons seeking job interviews for jobs recommended by the public employment service.

b. Relocation allowance for moving households and families of workers who successfully obtain permanent jobs certified by the public employment service. The relocation allowance should include payments for moving expenses and minimally required settling-in expenses.

c. Travel and living allowance, relocation allowance and assistance for undergoing training recommended by the employment service when training is located outside workers' areas of residence.

d. Supportive service for relocated workers; that is, assistance in straightening out affairs in old community before departure, if requested; information and counseling on living conditions and requirements in new communities; referrals to social agencies; resources and facilities in new communities; and other newcomer services.

The Commission recommends a relocation program for disadvantaged workers only as a last resort. All efforts to find, develop, and create suitable employment opportunities for workers in their home areas should be completely exhausted before they are considered for relocation assistance. Such assistance should be provided in a manner that will enable workers to choose freely where they want to live and work. Also, relocation is considered as one of the possible ways by which workers may adjust to changing labor market conditions.

Necessary safeguards should be devised to preclude possible misuse of this relocation program.

In few cases should it be necessary to provide relocation assistance to workers in moving from one State to another. Fewer moves from one region to another are expected with the assistance of this relocation program. Thus, the vast majority of the moves would be intracounty and intercounty within States.

Rural workers especially must often make several kinds of labor market adjustments simultaneously. As they move to places where jobs and training opportunities are located, they may also wish to change occupations. Since skills, work habits, and working conditions are often quite different among occupations, the transition can be enormously difficult, if not insurmountable, without some assistance.

Many workers and their families who change their residence should be assisted in adjusting to conditions in new communities. Finding adequate housing and developing a feeling of belonging in new communities are some of the ingredients of successful relocation. A variety of social services may be needed to minimize or to prevent problems inherent in this kind of transition.

## SPECIAL MANPOWER PROBLEMS

A comprehensive manpower program must be capable of meeting special and unique problems of workers and labor market areas. Groups that need special manpower services include: physically and mentally handicapped workers, older workers, youths, Negro farmworkers in the Southeast, Mexican-American resident workers in the Southwest, Mexicans who cross the border as commuter workers or who enter the United States extra-legally; and migrant workers.

Stipulation of the kind and amounts of special manpower services required to reduce substantially the employment problems among these groups is beyond the scope of this report. Nevertheless, the manpower and employment problems inherent in the Mexican-American border situation can be cited as an illustration of the severity and the complexity of some of these problems and the need to tailor services to meet them.

Several intricate factors are involved in the Mexican-American border situation in the Southwest. Wages for farmwork along the border are extremely low relative to the wage structure in the United States, but high relative to prevailing wages on the Mexican side of the border. The Mexico-United States wage differential in farmwork and nonfarmwork is reflected in differences in levels and standards of living. Mexican workers are attracted into the United States, increasing the supply of labor and in some cases reducing the work and wages for domestic workers. The influx of Mexican workers and their families under these conditions create severe problems in international relations, labor management relations, racial relations, and relations between newcomers and Mexican-American residents. This is also a source of some of the poverty in the United States, not only among the newcomers themselves but among longer residents whose conditions are affected adversely by increased competition of Mexican immigrants.

Workers from Mexico came into the United States in large numbers after World Wars I and II. Most came to seek farmwork in the Southwest. Some came into this country legally as contract laborers. Others entered illegally—the "wetbacks."

During the early 1950's estimates of wetbacks crossing the border ranged as high as 100,000 a month. Most of the wetbacks returned to Mexico of their own volition, but many thousands were deported. As illegal aliens in this country, they were totally without legal rights. None of the usual protections for workers or citizens applied and they were at the mercy of employers.

Mexicans known as "green card holders" are legal residents of Mexico, entitled to commute to the United States for work. Known as braceros, they work primarily during periods of peak demand for farmwork.

This practice was regulated under Public Law 78 which was enacted in 1951 as a temporary Korean War emergency measure. A series of temporary extensions carried the program through 1964 when Public Law 78 was terminated. Since 1964 the Secretary of Labor has admitted some temporary contract workers in reduced numbers, under the authority of the Immigration and Nationality Act (P.L. 414).

The use of foreign workers on temporary farm jobs has declined sharply in recent years. In 1965 California was the only State in which braceros were employed on farms in significant numbers. (See table 2.)

TABLE 2.—ANNUAL PEAK EMPLOYMENT OF FOREIGN AGRICULTURAL WORKERS,[1] BY SELECTED STATES, 1959[2] AND 1964-65

[Thousands]

| State[3] | 1959 | 1964 | 1965 | Nationality[4] |
|---|---|---|---|---|
| Total for United States[5] | 308.2 | 92.8 | 23.7 | - |
| Arizona | 16.3 | 7.2 | - | M |
| Arkansas | 39.0 | 4.0 | - | M |
| California | 83.6 | 63.9 | 17.2 | M |
| Colorado | 5.7 | 6.0 | - | M |
| Florida[6] | 10.3 | 14.0 | 8.5 | B |
| Maine | 8.1 | 7.0 | 3.8 | C |
| Michigan | 11.0 | 12.8 | - | M |
| New Mexico | 19.5 | 1.3 | - | M |
| Texas | 136.8 | 15.6 | - | M |

[1] Foreign nationals contracted for temporary farmwork in the United States.
[2] Year of alltime peak employment of foreign workers.
[3] Only States with employment of 5,000 or more in 1959 are shown separately.
[4] Only the most important national group is shown: M—Mexican; B—British West Indies; C—Canadian.
[5] Refers to that time of year when agricultural employment of foreign nationals was at it speak for the United States as a whole.
[6] Data for Florida refer to the crop season rather than the calendar year.

Source: U.S. Department of Labor Report of Manpower Requirements, Resources, Utilization, and Planning, March 1966.

Although substantial progress has been made in recent years in regulating the supply of foreign workers in this country, more vigorous regulation is warranted in view of the inadequate attention to these problems in the past, a rapidly growing domestic labor force, and declining number of jobs through mechanization of farmwork. The reasonable expectations of domestic hired farmworkers for accelerated increases in wages, job security, and better working conditions cannot be realized unless the supply of workers—foreign and domestic—is balanced with available jobs.

*The Commission recommends—*

16. More vigorous and careful enforcement of laws and regulations governing the recruitment and employment of foreign workers.

More specifically, this means that (1) the entry of foreign nationals into this country illegally should be stopped completely; (2) commuters from foreign countries should be further regulated. Those in the labor structure whose wages are consistent with the laws should be encouraged to establish residence in the United States. For those whose wages have a depressing effect on the economy steps should be taken to restrict and finally prohibit their entry until such a time that their presence does not create unfair competition; (3) in no case should foreign workers be employed as strikebreakers, or to jeopardize the job security of domestic workers, or to depress domestic wage levels; and (4) special attention should be focused on the welfare of migrant workers along the border in order to maintain health, housing, education, and labor standards prevailing throughout the country.

The implementation of this recommendation will assure better treatment, adequate jobs, and income for foreign workers who enter this country. This will enhance their chances of becoming prosperous and productive citizens rather than joining the ranks of the poor and disadvantaged. Moreover, further disorganization of labor markets will be prevented and basic requirements for effective application of a comprehensive manpower program will be strengthened. The foreign workers, domestic workers, employers, and the economy as a whole will be beneficiaries.

This is not to suggest, however, that the migrant farm labor problem, for example, can be successfully attacked and solved within the framework of migrant labor on the farms, or even in the rural areas. The Commission is of the opinion that feasible solutions to these problems extend to various parts of the total economy—farm and nonfarm, rural and urban.

### A COMPREHENSIVE AND ACTIVE APPROACH TO MANPOWER PROBLEMS

The general situation prevailing in farmwork has been described by one noted authority thus: [10]

Because farmwork has practically no obstruction to entry, poor people who have limited employment alternatives are found here in large concentrations. But most of any current farmworker population is temporary and transitional. Therefore, the therapy of social policy is properly not to be directed toward them as "migrants" or as farmworkers. Their needs are those of all . . . underprivileged people—sound mental and physical health, education, training, and protection against discrimination. They are therefore a category of all of the potential clientele of the Nation's antipoverty-equal opportunity program.

The farm employment economy into which poor and disadvantaged workers enter does not offer much opportunity for self-improvement. It is a scene of chaotic and uncertain employment relations; it lacks the regimen and discipline of a competitive market; it lacks the structure of a labor market, partly because farmworkers are excluded from virtually all labor legislation. Competition has traditionally been among workers, not among employers. With unrestricted entry and work that is divisible, 200 workers may be taken on to share a harvest that could be handled by 50.

This is an area of employment that could be rationalized, i.e., given more of the structure and performance characteristics that are found in labor markets. Doing so would have a two-way benefit: (a) toward the welfare of workers who would have more certain, longer, and higher paying employment; (b) toward more efficient use of manpower in the national interest. However, the declining total employment of persons on farms will be accelerated and total welfare will be improved only if those displaced from agriculture are effectively absorbed elsewhere.

*The Commission recommends—*

17. A comprehensive approach to meeting the manpower needs of workers in rural America, embracing: (a) Inclusion of farm labor with nonfarm labor and rural workers with urban workers; (b) appropriate combinations of the various components of the manpower program recommended in this chapter; and (c) extension of manpower services to the poor and the nonpoor according to their individual needs and aspirations.

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[10] Varden Fuller. "Hired Farm Labor in the West." (Unpublished report prepared for the National Advisory Commission on Rural Poverty.)

Since most manpower problems with which the Commission is concerned are multifaceted and interrelated, program recommendations to meet them must be balanced, comprehensive, and active. A manpower program geared exclusively to the matching of jobs and workers in the economy may be as imbalanced as one that is geared exclusively to tailoring jobs to suit the talents, interests, and aspirations of workers. Hence, the Commission seeks to foster the development of human resources in a manner that will also serve the manpower needs of areas, regions, and this Nation. An appropriate balance between these two sets of considerations is the desired end.

A piecemeal approach to problems of human development and manpower utilization is not only ineffective; it can be damaging and can result in waste of scarce resources. It was pointed out earlier that effective vocational guidance and vocational education programs are quite dependent upon job market information programs. Other interdependencies strongly suggest that a piecemeal approach to manpower problems in rural America is ineffective, if not useless.

Manpower problems in rural areas and poverty conditions that are connected with them are long standing. Social, economic, and technological changes are tending to intensify these problems. They must be met head on with massive, active programs at levels that will reverse hardening and accelerating trends. Weak and passive approaches to manpower problems with which the Commission is concerned in this report would be tantamount to failure and defeat.

## MEMORANDUM OF RESERVATION BY VIVIAN W. HENDERSON AND JAMES O. GIBSON CONCERNING RECOMMENDATIONS 14 AND 15

These recommendations are designed to bring improvement in labor market adjustment on the part of workers moving from rural to other areas. We concur that mobility assistance for workers has validity for this objective. National migration policy is needed to bring order and structure to movement of poor people pursuing new and better opportunities. However, the recommendations as adopted by the Commission emphasize facilitating the departure of rural migrants. We have reservations on this point.

Providing jobs and opportunities for rural people where they are is a thread that winds through the entire report. It appears self-defeating to suggest this cannot be done and therefore provision should be made to subsidize, even as a last resort, movement of the rural poor to other places. These subsidies should go toward creating jobs and opportunities so people can exercise options in their local areas.

Moreover, expansion of voter registration and increased political participation, particularly in rural areas of the South where Negroes make up substantial parts of the population, threaten existing power relationship and could be motivating factors for mobility assistance programs to be used as devices to de-populate those areas. (It has been noted that by refusing to adopt food stamp and commodity distribution programs public officials in some counties are systematically starving Negroes into moving to other areas, *Atlanta Constitution*, September 4, 1967.)

Much of the migration that takes place involves movement from remote rural areas to smalled towns and cities. Often such places are stop-off points for rural people in transit. Emphasis should be placed on providing halfway communities, multi-purpose centers and reception centers in and near smaller towns and cities as well as metropolitan areas. Wtih proper programming and provision of supportive services, migrants may find it easier to adjust to labor markets in smaller towns and cities and the flow to large urban ghettos may be abated. Regardless of this point, however, emphasis in mobility assistance programs should be placed on receiving migrants and their adjustment in new environments.

## APPENDIX

TABLE 3.—LOCAL EMPLOYMENT SECURITY OFFICES, BY STATES AND TERRITORIES AND BY FUNCTIONS, FEBRUARY 1967

| State or territory | Total | UI, ES, and farm (1) | ES and farm (2) | UI only (3) | ES only (4) | UI and ES (5) | YOC only (6) | Farm only (7) | Other combinations [1] (8) |
|---|---|---|---|---|---|---|---|---|---|
| Alabama | 43 | 32 | 3 | 4 | 2 |  | 2 |  |  |
| Alaska | 9 | 3 |  |  |  | 4 | 1 |  | 1 |
| Arizona | 42 | 15 | 4 | 3 | 4 | 9 | 2 | 5 |  |
| Arkansas | 34 | 27 | 1 | 3 | 1 | 1 | 1 |  |  |
| California | 186 | 50 | 8 | 23 | 14 | 24 | 26 | 40 | 1 |
| Colorado | 34 | 32 |  |  | 1 |  | 1 |  |  |
| Connecticut | 31 | 22 | 1 | 2 | 2 | 1 | 2 |  | 1 |
| Delaware | 4 | 3 |  |  |  |  | 1 |  |  |
| District of Columbia | 7 |  |  | 1 | 5 |  | 1 |  |  |
| Florida | 76 | 1 | 33 | 29 | 1 |  | 6 | 6 |  |
| Georgia | 39 | 33 | 2 | 1 | 1 |  | 2 |  |  |
| Guam | 1 |  |  |  | 1 |  |  |  |  |
| Hawaii | 8 | 4 | 1 | 1 | 1 |  | 1 |  |  |
| Idaho | 26 | 21 |  |  | 1 | 3 | 1 |  |  |
| Illinois | 74 | 41 | 4 | 9 | 9 | 1 | 10 |  |  |
| Indiana | 38 | 24 | 6 | 4 | 1 |  | 3 |  |  |
| Iowa | 48 |  | 33 | 11 | 2 |  | 1 |  | 1 |
| Kansas | 33 | 20 | 10 | 1 |  |  | 2 |  |  |
| Kentucky | 31 | 23 | 1 | 4 |  | 1 | 2 |  |  |
| Louisiana | 27 | 18 |  | 1 | 3 | 2 | 3 |  |  |
| Maine | 16 | 14 |  |  | 1 |  | 1 |  |  |
| Maryland | 25 | 16 | 2 |  | 2 | 2 |  | 2 |  |
| Massachusetts | 56 | 35 | 4 | 7 | 4 |  | 6 |  | 1 |
| Michigan | 78 | 3 |  | 7 | 8 | 54 | 5 |  | 1 |
| Minnesota | 39 | 31 | 2 |  |  | 2 | 3 |  | 1 |
| Mississippi | 54 |  | 36 | 16 | 1 |  | 1 |  |  |
| Missouri | 57 | 27 | 1 |  | 19 | 8 | 2 |  |  |
| Montana | 25 | 23 |  |  | 1 |  | 1 |  |  |
| Nebraska | 22 | 18 | 2 |  | 1 |  | 1 |  |  |
| Nevada | 11 | 7 | 1 |  |  | 2 | 1 |  |  |
| New Hampshire | 11 | 10 |  |  |  |  | 1 |  |  |
| New Jersey | 54 | 24 | 4 | 12 | 6 | 2 | 4 | 2 |  |
| New Mexico | 23 | 20 |  |  | 1 | 1 | 1 |  |  |
| New York | 166 | 70 | 9 | 13 | 36 | 26 | 12 |  |  |
| North Carolina | 56 | 44 |  |  | 1 | 10 | 1 |  |  |
| North Dakota | 17 | 9 | 4 |  | 3 |  | 1 |  |  |
| Ohio | 97 | 61 | 10 | 5 | 10 | 2 | 9 |  |  |
| Oklahoma | 34 | 27 |  |  | 3 | 2 | 2 |  |  |
| Oregon | 30 | 25 | 1 |  | 2 | 1 | 1 |  |  |
| Pennsylvania | 121 | 80 | 3 | 18 | 5 | 1 | 11 |  | 3 |
| Puerto Rico | 13 | 9 |  |  | 3 |  | 1 |  |  |
| Rhode Island | 15 | 8 | 1 | 4 | 1 |  | 1 |  |  |
| South Carolina | 34 | 27 | 2 | 2 |  |  | 3 |  |  |
| South Dakota | 17 | 15 |  |  | 1 |  | 1 |  |  |
| Tennessee | 46 | 27 | 1 | 5 | 4 | 1 | 4 | 1 | 3 |
| Texas | 116 | 60 | 17 | 5 | 7 | 6 | 5 | 16 |  |
| Utah | 19 | 11 | 2 | 1 | 3 |  | 1 | 1 |  |
| Vermont | 14 | 10 | 2 |  | 1 |  | 1 |  |  |
| Virginia | 39 | 26 |  |  | 3 | 8 | 2 |  |  |

See footnote at end of table.

APPENDIX—Continued

### TABLE 3.—LOCAL EMPLOYMENT SECURITY OFFICES, BY STATES AND TERRITORIES AND BY FUNCTIONS, FEBRUARY 1967—Continued

| State or territory | Total | UI, ES, and farm (1) | ES and farm (2) | UI only (3) | ES only (4) | UI and ES (5) | YOC only (6) | Farm only (7) | Other combinations [1] (8) |
|---|---|---|---|---|---|---|---|---|---|
| Virgin Islands | 5 | | | 2 | 3 | | | | |
| Washington | 37 | 26 | 5 | 1 | 2 | | 3 | | |
| West Virginia | 28 | 24 | | | 1 | | 3 | | |
| Wisconsin | 37 | 21 | 5 | 3 | 6 | | 1 | | 1 |
| Wyoming | 16 | 15 | | | | | 1 | | |
| Total | 2,219 | 1,192 | 221 | 198 | 188 | 174 | 159 | 73 | 14 |

[1] Including four offices with employment service and youth opportunity center functions; four offices with unemployment insurance, employment service, farm placement, and youth opportunity center functions; three offices with unemployment insurance and farm placement functions; two offices with farm placement and youth opportunity functions; and one office with unemployment insurance, employment service and youth opportunity center functions.

(1) Unemployment Insurance, Employment Service, Farm Placement.
(2) Employment Services and Farm Placement.
(3) Unemployment Insurance only.
(4) Employment Service only.
(5) Unemployment Insurance and Employment Service.
(6) Youth Opportunity Center only.
(7) Farm Placement only.

Source: U.S. Department of Labor, Manpower Administration, Bureau of Employment Security, Directory of Local Employment, Security Offices, February 1967.

## STATEMENT OF NATIONAL URBAN COALITION—SEPTEMBER 15, 1967

The Urban Coalition endorses the Clark-Javits Emergency Employment Act as a significant step toward an urgently needed national emergency program to provide at least one million jobs. We urge the President to support it and we urge Congress to adopt it as part of the Economic Opportunity Act amendments this year.

With regard to the private sector, we commend Mr. Gilbert Fitzhugh of our National Steering Committee and the Insurance Industry for their recently announced commitment of $1 billion in mortgage and investment funds for the reconstruction of the core areas of our cities. We are encouraged that the program will take advantage of rent supplements and that the federal government has developed an FHA–mortgage insurance program for these areas as well as middle and upper income families in the suburbs.

In support of the job program, the Emergency Convocation, held in Washington on August 24, and attended by 1,000 representatives of business and industry, organized labor, religious groups, local government and civil rights organizations, endorsed a Declaration of Principles, Goals and Commitments which called for legislation consistent with the following principles:

> The federal government must enlist the cooperation of government at all levels and of private industry to assure that meaningful, productive work is available to everyone willing and able to work.
>
> To create socially useful jobs, the emergency work program should concentrate on the huge backlog of employment needs in parks, streets, slums, countryside, schools, colleges, libraries, and hospitals. To this end, an emergency work program should be initiated and should have as its first goal putting at least one million of the presently unemployed into productive work at the earliest possible moment.
>
> The program must provide meaningful jobs—not dead-end, make-work projects—so that the employment experienced gained adds to the capabilities and broadens the opportunities of the employees to become productive members of the permanent work force of our nation.
>
> Basic education, training, and counseling must be an integral part of the program to assure extended opportunities for upward job mobility and to improve employee productivity. Funds for training, education, and counseling should be made available to private industry as well as to public and private nonprofit agencies.

Funds for employment should be made available to local and state governments, nonprofit institutions, and federal agencies able to demonstrate their ability to use labor productively without reducing existing levels of employment or undercutting existing labor standards or wages which prevail for comparable work or services in the area but are not less than the federal minimum wage.

Such a program should seek to qualify new employees to become part of the regular work force and that normal performance standards are met.

The operation of the program should be keyed to specific, localized unemployment problems and focused initially on those areas where the need is most apparent.

The Clark-Javits Emergency Employment Act is responsive to these principles. It is also responsive to the conditions of unemployment and despair revealed in the dozens of hearings held over many months by the Senate Sub-Committee on Unemployment and is consistent with the findings and recommendations of the National Committee on Technology Automation and Economic Progress (Feb. 1966), the White House Conference to Fulfill These Rights (June 1966), and The National Advisory Commission on Food and Fiber (July 1967).

In addition, we call upon Congress to expedite action in providing full funding for the poverty program, the rent supplement program and Model Cities. We also urge the adoption of the Equal Opportunity in Housing measure now pending in both houses.

We offer our full support in implementing these objectives.

Andrew Heiskell,
*Co-Chairman.*
A. Philip Randolph,
*Co-Chairman.*

# STATEMENT BY THE EXECUTIVE COMMITTEE OF THE URBAN COALITION ON PUBLIC SERVICE EMPLOYMENT—MARCH 14, 1968

The Urban Coalition Executive Committee calls upon the Congress to enact urgently needed emergency legislation to provide at least 1 million jobs through public service employment.

In support of this objective, the Urban Coalition's statement of principles, goals, and commitments, endorsed in August 1967 by 1,000 representatives of business, labor, religion, civil rights, and local government, calls for action consistent with the following principles:

—The Federal Government must enlist the cooperation of government at all levels and of private industry to assure that meaningful, productive work is available to everyone willing and able to work.

—To create socially useful jobs, the emergency work program should concentrate on the huge backlog of employment needs in parks, streets, slums, countryside, schools, colleges, libraries, and hospitals. To this end, an emergency work program should be initiated and should have as its first goal putting at least 1 million of the presently unemployed into productive work at the earliest possible moment.

—The program must provide meaningful jobs—not dead-end, make-work projects—so that the employment experience gained adds to the capabilities and broadens the opportunities of the employees to become productive members of the permanent work force of our Nation.

—Basic education, training, and counseling must be an integral part of the program to assure extended opportunities for upward job mobility and to improve employee productivity. Funds for training, education, and counseling should be made available to private industry as well as to public and private nonprofit agencies.

—Funds for employment should be made available to local and state governments, nonprofit institutions, and Federal agencies able to demonstrate their ability to use labor productivity without reducing existing levels of employment or undercutting existing labor standards or wages which prevail for comparable work or services in the area but are not less than the Federal minimum wage.

—Such a program should seek to qualify new employees to become part of the regular work force and to meet normal performance standards.

—The operation of the program should be keyed to specific localized unemployment problems and focused initially on those areas where the need is most apparent.

The Clark-Javits Emergency Employment Act proposed in the last session of Congress was responsive to these principles and was endorsed by the Urban Coalition. It is now even more urgent for the Congress to respond to the conditions of unemployment despair revealed in hearings held by the Senate Subcommittee on Unemployment. The principles endorsed by the Urban Coalition are consistent with the findings and recommendations of the National Committee on Technology Automation and Economic Progress (February 1966), the White House Conference To Fulfill These Rights (June 1966), and the National Advisory Commission on Food and Fiber (July 1967). The report of the President's Commission on Civil Disorders leaves no doubt as to the Nation's responsibilities.

# NATIONAL COMMISSION ON TECHNOLOGY, AUTOMATION, AND ECONOMIC PROGRESS

## CREATING AN ENVIRONMENT FOR ADJUSTMENT TO CHANGE: EMPLOYMENT AND INCOME

We have stated the view of the economic role of technological change to which the Commission has come in the course of its deliberactions. Our assignment includes also an obligation to make recommendations to management and labor and to all levels of Government to "facilitate occupational adjustment and geographical mobility" and to "share the costs and help prevent and alleviate the adverse impact of change on displaced workers." Our recommendations flow logically from the view we have already adopted.

Constant displacement is the price of a dynamic economy. History suggests that it is a price worth paying. But the accompanying burdens and benefits should be distributed fairly, and this has not always been the case. The costs of displacement to employees do not exhaust the total costs of technical and economic change. Business firms, labor unions, schools, government agencies and other institutions, as well as persons, develop some vested interest in the status quo. An economic or technological change that represents progress to society as a whole may, in a nation devoted to political and industrial democracy, be resisted by persons and institutions to whom it appears a threat. Though public policy has less obligation to the perpetuation of institutions than to the protection of individuals, there is a public interest in reducing resistance to progress.

Our analysis of the economic impact of technological change suggests the following organization of our recommendations for facilitating adjustment to change:

1. For those with reasonably attractive skills and no other serious competitive handicaps, ample job opportunities and adequate incomes can be assured by management of the total demand for goods and services.
2. For those less able to compete in the labor market, productive employment opportunities adapted to their abilities should be publicly provided.
3. Under the best of circumstances, there will be some who cannot or should not participate in the job economy. For them, we believe there should be an adequate system of income maintenance, guaranteeing a floor of income at an acceptable level.

Our recommendations which relate to employment and income are discussed in this chapter. We reserve to the next chapter those recommendations which relate to information and mobility, education and training, and the regional context of technological displacement.

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### A. THE MANAGEMENT OF TOTAL DEMAND

It is the unanimously held conviction of the Commission that the most important condition for successful adjustment to technological change is an adequate level of total income and employment. We recognize that this is not the end of economic policy, but we are confident it is the beginning. We have noted that the unemployment problem we contemplated when we first met has diminished in the course of 1965. The sequel to the Revenue Act of 1964 has clearly demonstrated that Federal fiscal and monetary policy can bridge the gap between the current level of private spending and the level of total demand needed to reduce unemployment. During the life of the Commission the very groups disproportionately burdened by unemployment—the young and inexperienced, the undereducated, the unskilled, Negroes, production workers—have profited more than proportionately from the healthy growth of total employment. Many of them have benefited from such inovations in manpower policy as the Job Corps or the Neighborhood Youth Corps. This, too, is a source of satisfaction and an incentive to do better.

We believe that the potential for general expansion of demand and employment has not yet been exhausted. We recognize that as labor markets and product markets become tighter and production comes closer to capacity in important industries, the beginnings of inflationary pressures emerge. It is not our business to predict what will occur during the next 12 months either in Asia or in the domestic economy. We urge, however, that the toleration of unnecessary unemployment is a very costly way to police inflation. It deprives the country of valuable output, and it sacrifices the poorest and least privileged among our citizens. It is preferable to press carefully ahead with the expansion of total production and employment, and simultaneously to redouble private and public efforts in the manpower field to relieve shortages in skilled and trained labor as they arise and develop effective means of combatting other causes of inflation.

As we write, events in the economy and elsewhere are moving rapidly; there is considerable uncertainty about the size of the economic and manpower burden of military operations in Vietnam. Under the circumstances, we can make no attempt to suggest the precise direction that fiscal and monetary policy should take in the near future.[1] We urge most strongly, however, that economic policy aim resolutely and watchfully at a reduction in the general unemployment rate to 3.5 percent or below by the beginning of 1967. No good is done our economy or our country by recoiling from that task prematurely. For the longer run, we believe it to be of the highest importance to the future of democracy in the world that this country never present to its neighbors the spectacle of wartime prosperity yielding to peacetime unemployment.

Some combination of tax reduction (leading to higher private spending) and increased public expenditure will be required to stimulate te economy when stimulus is needed. The choice between them depends upon our national priorities; a balanced policy will in the long run surely include both. We believe that the Nation faces a backlog of public neglect as the aftermath of a sequence of depression, war, and high defense spending. The needs in education, health, transportation, pollution control, resource development, and similar areas in the public domain are obvious to us and, we believe, to the public generally, though we may differ about the precise orders of priority. It is possible that international conflict may temporarily drain into military uses some of the resources that might be devoted to improving the American environment. If not, or when it no longer does so, it is our considered judgment that major attention should be given to public investment expenditures, some of which we will mention later in this report. No easy shortrun conclusion is possible on the basis of the facts available to us. Since the rewards are so great in employment for the disadvantaged, we wish to lend our weight against any easy deflationism. Every bit of employment and output counts.

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[1] In relation to this, see George L. Perry, "Employment, Output, and Policy Requirements for Full Employment" (†).

### B. PUBLIC SERVICE EMPLOYMENT

We are not impressed with a 4-percent unemployment rate, or a 3-percent, or any other unemployment rate, as an ultimate goal of economic policy. We take seriously the commitment of the Employment Act of 1946 to provide "useful employment opportunities for all those able, willing, and seeking to work." This cannot mean literally zero unemployment since, in a free economy, there will always be some turnover, voluntary and involuntary. Indeed, there is some evidence that the highly mobile American economy generates more voluntary turnover than the other major industrial economies. It does mean limiting unemployment to the minimum amount necessary for the smooth functioning of a free labor market. It would probably mean the disappearance of long-term unemployment for those genuinely in the labor force. We recognize that to expand demand through gross monetary and fiscal policies sufficiently to eliminate all but short-term frictional unemployment would place the price level under heavy pressure. Both those price pressures and the frictional level of unemployment itself can be reduced by appropriate programs of education, training, and labor market improvements. But these too have their limits.

In terms of our image of the labor market as a queue, fiscal and monetary policies begin at the front of the queue and work toward the rear. Education and training and labor market policies affect not only relative places in the line, but the depth to which general economic policies can reach without generating inflation. Yet when all that is done, there remains another possibility: to begin at the rear of the line and create employment opportunities tailored to the abilities of those with serious competitive disadvantages.

We are impressed with the extent to which recent policy has been designed to do exactly that. The Neighborhood Youth Corps and several other provisions of the Economic Opportunity Act, for example, represent a new departure in U.S. employment policy. New Deal public works programs provided sorely needed employment and created valuable facilities during a period of mass unemployment. The new programs are different; they are aimed specifically at those left behind in an otherwise prosperous economy. They recognize the anomaly of excessive unemployment in a society confronted with a huge backlog of public service needs in its parks, its streets, its slums, its countryside, its schools and colleges, its libraries, its hospitals, its rest homes, its public buildings, and throughout the public and nonprofit sectors of the economy. They recognize that employing the unemployed is, in an important sense, almost costless. The unemployed consume; they do not produce. To provide them meaningful jobs increases not only their income but that of society. Much of the work that needs doing calls only for limited skills and minor amounts of training. Some of it is manual in character; some of it is subprofessional.

The principle of such public service employment has been implicitly endorsed in existing programs. We recommend that the concept be expanded and made explicit as a permanent, long-term program. The necessary steps are as follows:

**Table 6.**—*Estimates of potential sources of new jobs through public service employment*[1]

[In millions]

| Source of employment: | *Job potential* |
|---|---|
| Medical institutions and health services | 1.2 |
| Educational institutions | 1.1 |
| National beautification | 1.3 |
| Welfare and home care | 0.7 |
| Public protection | .35 |
| Urban renewal and sanitation | .65 |
| Total | 5.3 |

[1] Estimated from various unpublished sources.

1. The major resources must come from the Federal Government but the jobs need not. Table 6 lists some areas of the economy where important social needs are now inadequately met, if indeed they are met at all, and our estimates of the amount of useful employment which could be made available to people with relatively low skills. Many of these jobs are in the State and local sector of the public economy. Were it not for the endemic financial stringency at those levels of government, the employment might already have been provided, though perhaps without effort to allocate the jobs to the rear of the queue. A Federal funding agency could provide program approval and financial administration. State and local governments and certain kinds of nonprofit institutions as well as Federal agencies could submit proposals demonstrating ability to use the available labor productively without reducing existing levels of employment or subverting prevailing labor standards.

2. The sponsoring institutions should treat the new employees as regular employees, integrating them with existing work forces and enforcing regular standards of performance. The wages paid should be in no case lower than the Federal minimum wage, with the possible exception of a partial exemption for youth. The public service employment program should be coupled with basic education, training, and counseling to raise the productivity of the employees and assist them to move on to better jobs. With this assistance, the opportunity for higher incomes would provide the necessary incentive to seek other jobs. Since the jobs would provide services for which society has growing needs, no element of make work would be involved.

3. All the relevant questions cannot be answered or even foreseen before more experience has accumulated. But one of the proposed program's advantages is its flexibility. It can be readily adapted to unemployment levels, fiscal requirements, and other factors. Indeed we suggest that the operation of the program might be keyed to specific localized unemployment problems by region or by demographic group. The administration, job development, and recruitment cannot occur overnight. The first step is to make explicit the concept already implicit in existing programs by recommitting Federal policy to the Employment Act's promises of a job for "all of those able, willing, and seeking to work." Then the amount of employment provided can be expanded as rapidly as possible, holding open the possibility of delay or contraction if changing circumstances or adverse experience require.

We therefore recommend (1) that public service employment opportunities be provided to those unsuccessful in the competition for existing jobs; (2) that a 5-year program be established, with the amount of public service employment increased each year, depending upon previous experience and labor market conditions; (3) that an initial sum of perhaps $2 billion be appropriated to provide about 500,000 additional full-time public service jobs; and (4) that the program be coupled with a serious attempt to learn more about the nature and causes of "hard-core" unemployment by case and survey methods.

# WHITE HOUSE CONFERENCE "TO FULFILL THESE RIGHTS," COUNCIL'S REPORT AND RECOMMENDATIONS TO THE CONFERENCE

## IV. Develop Government Financed Employment Programs on Public Works and Services To Guarantee the Availability of Jobs to Able Workers Who Cannot Be Placed in, or Promptly Trained for, Regular Employment

### WHY THE RECOMMENDATION IS NEEDED

Massive unemployment and underemployment in the Negro working age population requires the most urgent attention to prevent a worsening of social tensions, to eliminate the waste of human potential, and to lighten the heavy welfare burdens imposed on the community. We must not expect this problem to be eliminated automatically by the long-run competitive forces of the job market. Even in an economy approaching full employment, joblessness among Negroes will remain a persistent problem. The relatively low educational attainment and occupational skill levels of many Negro workers reduce their job opportunities in our increasingly complex and rapidly changing economy. Discriminatory employment practices also result in a persistent hard-core of joblessness in the Negro labor force.

Jobs must be provided without delay to solve the Negro unemployment crisis. And these jobs must be made available for Negroes at their existing level of skill attainment.

To meet this need, the Federal Government must assume responsibility for providing employment to workers who have been unable to find a productive place in the regular job market on their own. This employment must include the kinds of training and experience which are likely to increase the employability of the worker for regular jobs. The work experience, coupled with supportive services such as counseling, must be aimed at breaking the vicious cycle of poverty and dependence, and at upgrading the occupational structure of the Negro work force in line with current and expected future manpower requirements.

The tasks assigned to workers on a proposed government employment program, far from being "make work," are essential to fill the very real and pressing needs for public works and services that have accompanied population growth, urbanization, and increasing demands on the Nation's physical resources. Workers employed on the proposed programs can make major contributions toward meeting the need for better housing, schools, hospitals, and parks in burgeoning urban communities. They can contribute to important conservation projects and to improvements in the appearance and safety of both towns and countryside. They can fill the large-scale shortage of subprofesional personnel in the fields of education, welfare, health, child care, and many other services.

### WHAT SHOULD BE DONE

1. The Federal Government should develop and finance a program of guaranteed employment for able workers who cannot be placed in, or promptly trained for, regular employment. The work experience provided should help upgrade the worker's job skills and prepare him for regular employment.

To guide this program, an annual job budget should be developed in which shortrun and longrun estimates of labor force, employment, and underemployment should be considered in relation to the whole range of the Nation's economic and social resources and needs, in order to develop goals and priorities on the numbers and location of workers and projects to be served. This job budget should be tied closely to the comprehensive human resource program. (See recommendation III).

2. A large-scale federally financed public works program to provide jobs thorugh the private sector should be undertaken at once. Immediate targets should be the major urban centers where Negro unemployment is most severe and the Southern States where most of the rural farm and nonfarm Negro population live. In addition, long-range blueprints for public works and services should be developed for emergency use to prevent national or local manpower dislocations such as sharp dips in employment. Priority should be given to public works which produce the greatest manpower requirements for the industries, types of workers, and areas most in need of jobs.

3. The Federal Government, in cooperation with local and State governments, should undertake a large-scale program of employment in public services.

4. The President's Council of Economic Advisors should give leadership in developing these programs.

# EXCERPTS FROM REPORT OF THE NATIONAL ADVISORY COMMISSION ON FOOD AND FIBER, "FOOD AND FIBER FOR THE FUTURE," JULY 1967

### CREATING A BETTER ECONOMIC CLIMATE IN RURAL AREAS

From every viewpoint it would seem preferable to create more off-farm employment accessible to rural residents who seek employment in the rural areas themselves. If rural communities could achieve higher rates of economic growth, they could furnish more of the nonfarm jobs needed, increase their tax bases, and finance better education and other public services for their people. At the same time, they would slow down the drain on their resources represented by outmigration and ease the burden urban areas carry in public services for rural emigrants.

The Commission recommends increased investment by the public in the infrastructure of old and new communities in rural areas, in industrial parks, and in other undertakings to encourage rural job growth, especially in areas which have populations in need of employment and possibilities for development.

### THE FEDERAL GOVERNMENT AS A RESIDUAL EMPLOYER

The obvious longrun purpose of economic development and income policies is to move as many people as possible into useful, productive roles in the economy. However, in those cases where this is not possible or not immediately possible, the Federal Government might serve as the residual employer.

A public service employment policy, such as that suggested by the National Commission on Technology, Automation, and Economic Progress, could be integrated with a minimum income opportunity, and with the training and relocation programs. Such a program could offer the unemployed and "boxed in" rural resident more than the minimum $600, at the same time increasing his productive output for the economy.

The National Commission on Technology, Automation, and Economic Progress estimated there were some 5.3 million jobs in various fields which could usefully be performed, in our hospitals, schools, parks, countryside, and public buildings. Much of the work calls for only limited skills and minor amounts of training; some is technical.

The major resources for such a program must come from the Federal Government, although the jobs needs not. A Federal funding agency could provide program approval and financial administration, and State and local governments and certain types of nonprofit institutions could submit proposals demonstrating their ability to use the labor without displacing other workers or undermining existing work standards.

This program should be integrated with the minimum-income concept, with the training and relocation programs, and with the regional and community programs.

[From the Washington Post, Aug. 14, 1967]

# RACES AGREE ON GHETTO ABOLITION AND NEED FOR WPA-TYPE PROJECTS

(By Louis Harris)

In the wake of the recent riots in Detroit, Newark, and other cities, big majorities of both Negroes and whites agree that new Federal programs to eliminate rats in slums, to tear down ghettos, to set up summer camps, and to undertake large-scale work projects for the unemployed would be effective measures to prevent future racial outbreaks.

Both races also agree that the riots have hurt the Negro cause, that Negroes suffered the most from the riots and have more to lose than to gain by resorting to violence.

Negroes as well as whites condemn looting and firebombings. Whites as well as Negroes believe by substantial majorities that only a minority of Negroes support riots.

### DISAGREEMENT ON CAUSES

But Negroes and whites sharply disagree over what triggered the riots. Negroes believe that merchants who gouged their customers and charged exorbitant prices must take some blame. Whites are largely unaware of such practices.

Negroes feel that police have engaged in brutality; whites flatly disagree. Negroes tend to see lack of real progress in housing, jobs for young people, and education for Negroes as a fundamental cause of the riots. Whites recognize the need for more effort in these areas, but see them far less as reasons behind the violence.

As a result of a deep feeling that the plight of the northern black ghetto dweller has been neglected, Negroes tend to say that their riots were mainly spontaneous, stemming from conditions of injustice. Largely removed from the Negro view of life in the slum areas, whites are convinced by a large majority that the riots were organized.

### FEDERAL PROGRAMS URGED

One of the major effects of this summer's racial rioting is a widespread recognition on the part of both whites and Negroes that large-scale Federal programs should be undertaken to improve conditions in the cities.

The in-depth Harris Survey of a cross section of both Negroes and whites across the Nation asked this series of questions:

> Several new laws and programs have been proposed to help resolve the race problem in America and prevent racial outbreaks in the future. For each, tell me if you think it would be effective or not very effective:

FEDERAL PROGRAMS TO PREVENT RIOTS

[In percent]

| | Public | Whites | Negroes |
|---|---|---|---|
| 1. Setting up large-scale Federal work projects to give jobs to all the unemployed: | | | |
| Effective | 69 | 66 | 91 |
| Not effective | 24 | 26 | 5 |
| Not sure | 7 | 8 | 4 |
| 2. A Federal program to tear down ghettos in the cities: | | | |
| Effective | 65 | 63 | 84 |
| Not effective | 26 | 28 | 7 |
| Not sure | 9 | 9 | 9 |
| 3. A Federal program to exterminate rats in slums: | | | |
| Effective | 60 | 59 | 72 |
| Not effective | 33 | 34 | 19 |
| Not sure | 7 | 7 | 9 |
| 4. Setting up massive summer camps: | | | |
| Effective | 57 | 55 | 78 |
| Not effective | 32 | 34 | 10 |
| Not sure | 11 | 11 | 12 |

The most popular programs would be public works projects to provide employment in blighted areas where Negroes and other minority groups live. But a clear indication of the drastic mood of the country is in the support given to the proposition that ghettos be torn down.

The controversial "rat control" legislation, turned down recently by Congress, is seen as an effective measure for controlling future riots by six out of ten citizens.

In addition to recognition that such legislation might be helpful in averting future racial outbreaks, white people also showed a greater willingness than they did a year ago to lower the bars against Negroes in public eating places, movie theaters, public restrooms, clothing stores, and in other areas.

Along with the Negro-white consensus on what ought to be done to prevent future outbreaks, there is remarkable agreement between the races on the consequences of the recent violence.

Whites and Negroes both agree that those who suffered most from the riots were Negroes themselves. The survey of a carefully drawn cross section of whites and Negroes across the country shows that 58 percent of all Negroes and 49 percent of whites believe Negroes were the chief victims of the riots.

Both races also agree that property owners were next on the scale of suffering followed by white shopkeepers and the cities themselves.

Negroes and whites agree that the outbreaks and violence have hurt the civil rights cause. This view is held by 60 percent of Negroes and a much higher percentage of whites (89 percent).

A similar question, whether Negroes have more to gain or to lose by resorting to violence, revealed that 68 percent of Negroes and 94 percent of whites feel Negroes have more to lose.

### LOOTERS "SHOULD BE SHOT"

Only 10 percent of the Negroes and 11 percent of the whites believe that most Negroes support the rioting.

By overwhelming margins, whites believe that looters are criminals and "should be shot." And 68 percent of the Negroes also classify looters as criminals. Over two-thirds of the Negroes in the survey disagreed with the statement that "looting isn't as bad as stealing, because things in stores are going to be taken or burned anyway during a riot."

It is therefore fair to conclude that a large majority of Negroes are opposed to action that violates laws. In fact, by 47 to 42 percent, Negroes feel that people who throw firebombs in riots deserve to be shot.

### FEARS FOR SAFETY RISE

A majority of both Negroes and whites do not believe that a lack of firmness by local mayors and Governors was a major cause of the rioting, although whites tend to be more critical than Negroes on this score.

Personal uneasiness on the streets has risen as a result of the riots, with 51 percent of whites expressing fear for their own safety. However, an even larger percentage of Negroes—65 percent—say they have fears for their safety.

Despite the large areas of agreement between the two races on the consequences of riots and effective steps to prevent such violence in the future, whites and Negroes are poles apart on what sparked the rioting.

When asked the main reasons the riots broke out, 45 percent of all white people volunteered that they were provoked by "outside agitators," "minority radicals," or "Communist backing."

### NEGRO PLIGHT RECOGNIZED

An additional 40 percent of the whites, however, attributed the riots to the "way Negroes have been treated in the slums and ghettos of the big cities" and "the failure of white society to keep its promises to the Negroes." Other reasons cited by whites were "teenagers and other uneducated people just looking for trouble."

Educated whites tend to give more recognition to the plight of Negroes in ghetto communities as reasons for the explosions. But both Negroes and whites agree that Negro hatred for whites was less a cause of the outbreaks than Negro frustrations over lack of progress on jobs, education, and housing.

Among Negroes, 7 percent volunteered that the riots were organized, compared with 93 percent who said Negro frustration over lack of progress was the prime cause.

### NEGROES CRITICIZE POLICE

By better than 2 to 1, Negroes believe that police brutality was a major cause of the rioting. Whites disagree by 8 to 1, with only one white person in six expressing the view that police ever engage in brutality against Negroes.

Seven in every 10 Negroes say that lack of decent housing contributed to the riots. In the riot areas themselves, 59 percent of the Negroes say they know someone who lives in rat-infested housing, 57 percent report holes in ceilings, 49 percent overcrowding, 56 percent faulty plumbing, and 68 percent cockroaches.

But no more than 39 percent of whites believe deficiencies in Negro housing were a major cause of the rioting.

### WHITES CHARGE ORGANIZATION

On jobs for young Negroes, 34 percent of the white people see lack of employment opportunities as a major reason for the riots, compared with 67 percent of the Negroes. Three in every 10 whites believe failure to give Negroes equality is behind racial violence, compared with over seven out of every 10 Negroes.

Mainly because of different estimates of just how bad living conditions are in Negro slum areas, whites and Negroes therefore sharply disagree over whether the riots were organized or spontaneous. By 71 to 23 percent, whites believe the riots were "mainly organized." By 47 to 37 percent, Negroes think the outbreaks were "mainly spontaneous."

All in all, the desire among both whites and Negroes is to exert every effort to avoid a repetition of this past summer's rioting. But 15 percent of Negroes testify that they support the riots, and most of these are in the younger age group.

This minority segment, pushed over the line of lawful response by their frustrations with ghetto conditions, are ample cause for future anxiety by whites and Negroes alike.

# EXCERPT FROM "TOWARD FULL EMPLOYMENT: PROPOSALS FOR A COMPREHENSIVE EMPLOYMENT AND MANPOWER POLICY IN THE UNITED STATES," REPORT PREPARED BY THE SUBCOMMITTEE ON EMPLOYMENT, MANPOWER, AND POVERTY OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE, U.S. SENATE, 88TH CONGRESS, SECOND SESSION

## (d) A Special Direct Employment Program for Distressed Areas

The concurrence of idle manpower resources and unmet public needs is most apparent in the povertystricken areas of the Nation, both urban and rural. A high percentage of the unemployed and those who have withdrawn from the labor force for lack of employment opportunity are concentrated in low-income areas characterized by dilapidated housing, squalid neighborhoods, inadequate schools, and other evidences of deprivation. This concurrence of idle hands and unfulfilled demands of the most labor-intensive-type offer unique opportunities for imaginative public policy.

While accelerated public works, urban renewal, and similar programs add to total employment opportunities, they all too often leave the hard-core unemployed untouched. The deficiencies in skill, education, and motivation which plague many who are out of work make them unacceptable to the private contractor working on the usual Government construction contract. For many public works and new construction there may be no alternative to highly mechanized methods requiring skilled workers. But the renovation and remodeling of dilapidated housing, the refurbishing of neglected parks and public buildings, the cleanup of accumulation of debris and industrial wastes, the conservation of public lands and similar projects offer opportunities not only for employing the unskilled hard-core unemployed, but can furnish them job experience and training as well. Mr. Roderick H. Riley, of the Bureau of Indian Affairs, pointed out that while only about 50 percent of the labor force on Indian reservations was employed, the Bureau had a 14-year backlog of the type of useful work which these people could perform if funds were available. In fact, the Bureau has shifted to a policy of force account rather than contracting such projects for this reason. Other witnesses also stressed the contribution a program of this type could make in particular distressed areas and among particularly disadvantaged groups.

Traditionally, we have taken the structure of the demand for labor as given and required the labor supply to adjust to the demand. With rapid technological change and our present accumulation of hard-core unemployed, sensible policy requires that we seek to create some jobs which fit the more disadvantaged portions of the labor force. The present accumulation of public and private needs in distressed communities offers ample employment opportunities with relatively little adjustment in normal working practices. The primary need is for financial assistance to the hard-pressed communities where these paradoxical juxtapositions of unemployed people and pressing needs exist.

A Federal grant program to provide such employment opportunities would help to upgrade the labor force, reduce welfare costs, offer employment opportunities for rehabilitation of public welfare recipients, rejuvenate local and personal pride and aim a body blow at poverty while at the same time adding to the total real wealth of the Nation.

It is recognized that such a proposal calls up immediate visions of the WPA, CCC, and NYA programs of the New Deal. Such visions also recall charges of "make work" and "leaf raking." Even if such charges were valid, there is no reason that a direct employment program of the 1960's would have to repeat the same mistakes. Even the most casual visit to an urban slum or a rural depressed area impresses one that work does not have to be "made" in these communities. There is more to do than rake leaves.

However, it is time the Nation took a new look at the stereotype which has developed of New Deal public works and work relief programs. We are reminded of the New Yorker cartoon of two dowagers gazing at a magnificent bridge bearing the seal of one of the New Deal projects. One remarks to the other in astonishment, "And to think they did all of this while leaning on their shovels."

In the anxiety to get work relief underway under the emergency conditions of the times, some of the projects of the first year or two were hastily conceived and subject to "make work" and "leaf raking" criticisms. After the initial period, however, few investments of public funds ever paid higher dividends, not only in terms of employment furnished but of needed services rendered and public facilities constructed.

No comparable program exists today. A few cities and several States have small-scale work relief programs to allow public welfare recipients to contribute effort in return for benefits. These, inadequate as they still are, have demonstrated the general preference of the able bodied to work in preference to a dole. The 1962 public welfare amendments make provision for community work and training programs to aid in the rehabilitation of welfare recipients. So far, only a few States have taken advantage of this matching grant program, though several others have shown interest and are preparing to participate. The provision is soundly conceived but too restricted in coverage.

The program is limited to the unemployed parents in families who have met the needs test and other eligibility requirements of the aid to families with dependent children program. These individuals are allowed to work only long enough each month to earn, at prevailing rates, what they are already receiving under the AFDC program plus the additional out-of-pocket expenses incident to employment. Federal support of such programs is available only to those 18 States (including some of the largest) which have chosen to allow aid to the unemployed parents of dependent children. Federal grants are available only with respect to welfare allowances and administrative costs where they must be matched on a formula basis by the States. Federal funds are not generally available to assist in provision of materials, tools, and other expenses of the work and training programs.

The 1962 act provides a mere $2 million for more flexible demonstration projects which can be 100-percent federally financed and can aid potential as well as present welfare recipients. Legislation is now pending to raise this amount by $50 million annually, but even this sum is completely inadequate.

The "family unity through jobs" provision of President Johnson's war on poverty proposal would augment the community work-training program to a $150,000 level. Increasing the program to this level would be highly desirable. But it would still be limited to AFDC families, would provide work for only an estimated 20,000 unemployed fathers (at least during the first year), and would still be a means of working out public assistance benefits rather than employment at a regular wage. In addition, a broader program is needed.

The community work and training program can serve as a guide but a program must be developed which is available to all of the hard-core unemployed in distressed communities and not dependent upon community finances which are already overstrained in these areas.

### RECOMMENDATION

Federal, State, and local governments should undertake a joint program to directly employ the hard-core unemployed in poverty-stricken areas, both rural and urban, in an attack on the deficiencies of their own environments. Financial support should be provided by the Federal Government. Local governments and private groups should provide the proposals, planning, and administration. Neighborhoods for special consideration under this program should be selected on the basis of such factors as average family income, the level of unemployment, the proportion of long-term unemployed, the labor force participation rate, and the level of local effort, as well as the overall conditions in the city or rural area.

Cities, counties, Federal agencies, or private nonprofit organizations could then make proposals and receive grants to employ the hard-core unemployed in needed projects which would not be otherwise undertaken privately or by means of more conventional programs. Among other criteria, the Federal granting agency should require that at least a majority of those employed on each project come from among the hard-core unemployed in the community. The remainder would include the necessary skilled, supervisory, and administrative personnel. In addition to furnishing immediate employment and income, the projects should include preparation for permanent private employment through training and experience. They should be closely coordinated with such programs as basic literacy and skill training under the Manpower Development and Training Act and the Youth Employment Opportunities Act, should it be enacted by the Congress and programs emanating from the antipoverty drive.

## CURRENT FEDERAL MANPOWER PROGRAMS

# MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962, AS AMENDED[1] (42 U.S.C. 2571–2620)

AN ACT relating to manpower requirements, resources, development, and utilization, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Manpower Development and Training Act of 1962".

## TITLE I—MANPOWER REQUIREMENTS, DEVELOPMENT, AND UTILIZATION

### STATEMENT OF FINDINGS AND PURPOSE

SEC. 101. The Congress finds that there is critical need for more and better trained personnel in many vital occupational categories, including professional, scientific, technical, and apprenticeable categories; that even in periods of high unemployment, many employment opportnuities remain unfilled because of the shortages of qualified personnel; and that it is in the national interest that current and prospective manpower shortages be identified and that persons who can be qualified for these positions through education and training be sought out and trained as quickly as is reasonably possible, in order that the Nation may meet the staffing requirements of the struggle for freedom. The Congress further finds that the skills of many persons have been rendered obsolete by dislocations in the economy arising from automation or other technological developments, foreign competition, relocation of industry, shifts in market demands, and other changes in the structure of the economy; that Government leadership is necessary to insure that the benefit of automation do not become burdens of widespread unemployment; that the problem of assuring sufficient employment opportunities will be compounded by the extraordinarily rapid growth of the labor force in the next decade, particularly by the entrance of young people into the labor force, that improved planning and expanded efforts will be required to assure that men, women, and young people will be trained and available to meet shifting employment needs; that many persons now unemployed or underemployed, in order to become qualified for reemployment or full employment must be assisted in providing themselves with skills which are or will be in demand in the labor markets; that the skills of many persons now employed are inadequate to enable them to make their maximum contribution to the Nation's economy; and that it is in the national interest that the opportunity to acquire new skills be afforded to these people with the least delay in order to alleviate the hardships of unemployment, reduce the costs of unemployment compensation and public assistance, and to increase the Nation's productivity and its capacity to meet the requirements of the space age. The Congress further finds that many professional employees who have become unemployed because of the specialized nature of their previous employment are in need of brief refresher or reorientation educational courses in order to become qualified for other employment in their professions, where such training would further the purposes of this Act. It is therefore the purpose of this Act to require the Federal Government to appraise the manpower requirements and resources of the Nation, and to develop and apply the information and methods needed to deal with the problems of unemployment resulting from automation and technological changes and other types of persistent unemployment.

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[1] Public Law 87–415, Mar. 15, 1962, 76 Stat. 24–33, as amended by (a) Public Law 87–729, Oct. 1, 1962, 76 Stat. 679; (b) Public Law 88–214, Dec. 19, 1963, 77 Stat. 422; (c) Public Law 89–15, Apr. 26, 1965, 79 Stat. 75; (d) Public Law 89–792, Nov. 7, 1966, 80 Stat. 1434; and (e) Public Law 89–794, Nov. 8, 1966, 80 Stat. 1451.

### EVALUATION, INFORMATION, AND RESEARCH

SEC. 102. To assist the Nation in accomplishing the objectives of technological progress while avoiding or minimizing individual hardship and widespread unemployment, the Secretary of Labor shall—

(1) evaluate the impact of, and benefits and problems created by automation, technological progress, and other changes in the structure of production and demand on the use of the Nation's human resources; establish techniques and methods for detecting in advance the potential impact of such developments; develop solutions to these problems, and publish findings pertaining thereto;

(2) establish a program of factual studies of practices of employers and unions which tend to impede the mobility of workers or which facilitate mobility, including but not limited to early retirement and vesting provisions and practices under private compensation plans; the extension of health, welfare, and insurance benefits to laid-off workers; the operation of severance pay plans; and the use of extended leave plans for education and training purposes. A report on these studies shall be included as part of the Secretary's report required under section 107;

(3) appraise the adequacy of the Nation's manpower development efforts to meet foreseeable manpower needs and recommend needed adjustment, including methods for promoting the most effective occupational utilization of and providing useful work experinece and training opportunities for untrained and inexperienced youth;

(4) promote, encourage, or directly engage in programs of information and communication concerning manpower requirements, development, and utilization, including prevention and amelioration of undesirable manpower effects from automation and other technological developments and improvement of the mobility of workers;

(5) arrange, through grants or contracts, for the conduct of such research investigations as give promise of furthering the objectives of this Act; and

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(6) establish a program of experimental, developmental, demonstration, and pilot projects, through grants to or contracts with public or private nonprofit organizations, or through contracts with other private organizations, for the purpose of improving techniques and demonstrating the effectiveness of specialized methods in meeting the manpower, employment, and training problems of worker groups such as the long-term unemployed, disadvantaged youth, displaced older workers, the handicapped, members of minority groups, and other similar groups. In carrying out this subsection the Secretary of Labor shall, where appropriate, consult with the Secretaries of Health, Education, and Welfare, and Commerce, and the Director of the Office of Economic Opportunity. Where programs under this paragraph require institutional training, appropriate arrangements for such training shall be agreed to by the Secretary of Labor and the Secretary of Health, Education, and Welfare. He shall also seek the advice of consultants with respect to the standards governing the adequancy and design of proposals, the ability of applicants, and the priority of projects in meeting the objectives of this Act.

### JOB DEVELOPMENT PROGRAMS

SEC. 103. The Secretary of Labor shall stimulate and assist, in cooperation with interested agencies both public and private, job development programs, through on-the-job training and other suitable methods, that will serve to expand employment by the filling of those service and related needs which are not now being met because of lack of trained workers or other reasons affecting employment or opportunities for employment.

### LABOR MOBILITY DEMONSTRATION PROJECTS

SEC. 104. (a) During the period ending June 30, 1968, the Secretary of Labor shall develop and carry out, in a limited number of geographical areas, pilot projects designed to assess or demonstrate the effectiveness in reducing unemployment of programs to increase the mobility of unemployed workers by providing assistance to meet their relocation expenses. In carrying out such projects the Secretary may provide such assistance, in the form of grants or loans, or both, only to involuntarily unemployed individuals who cannot reasonably be expected to secure full-time employment in the community in which they reside, have bona fide offers of employment (other than temporary or seasonal employment), and are deemed qualified to perform the work for which they are being employed.

(b) Loans or grants provided under this section shall be subject to such terms and conditions as the Secretary shall prescribe, with loans subject to the following limitations:

(1) there is reasonable assurance of repayment of the loan;

(2) the credit is not otherwise available on reasonable terms from private sources or other Federal, State, or local programs;

(3) the amount of the loan, together with other funds available, is adequate to assure achievement of the purposes for which the loan is made;

(4) the loan bears interest at a rate not less than (A) a rate determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding Treasury obligations of comparable maturity, plus (B) such additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purposes; and

(5) the loan is repayable within not more than ten years.

(c) Of the funds appropriated for a fiscal year to carry out this Act, not more than $5,000,000 may be used for the purposes of this section.

### TRAINEE PLACEMENT ASSISTANCE DEMONSTRATION PROJECTS

SEC. 105. During the period ending June 30, 1968, the Secretary of Labor shall develop and carry out experimental and demonstration projects to assist in the placement of persons seeking employment through a public employment office who have successfully completed or participated in a federally assisted or financed training, counseling, work training, or work experience program and who, after appropriate counseling, have been found by the Secretary to be qualified and suitable for the employment in question, but to whom employment is or may be denied for reasons other than ability to perform, including difficulty in securing bonds for indemnifying their employers against loss from the infidelity, dishonesty, or default of such persons. In carrying out these projects the Secretary may make payments to or contracts with employers or institutions authorized to indemnify employers against such losses. Of the funds appropriated for a fiscal year to carry out this Act, not more than $300,000 may be used for purposes of this section.

### SKILL AND TRAINING REQUIREMENTS

SEC. 106. The Secretary of Labor shall develop, compile, and make available, in such manner as he deems appropriate, information regarding skill requirements, occupational outlook, job opportunities, labor supply in various skills, and employment trends on a National, State, area, or other appropriate basis which shall be used in the educational, training, counseling, and placement activities performed under this Act.

### MANPOWER REPORT

SEC. 107. The Secretary of Labor shall make such reports and recommendations to the President as he deems appropriate pertaining to manpower requirements, resources, use, and training; and the President shall transmit to the Congress within sixty days after the beginning of each regular session (commencing with the year 1963) a report pertaining to manpower requirements, resources, utilization, and training.

# TITLE II—TRAINING AND SKILL DEVELOPMENT PROGRAMS

## PART A—DUTIES OF THE SECRETARY OF LABOR

### GENERAL RESPONSIBILITY

SEC. 201. In carrying out the purposes of this Act, the Secretary of Labor shall determine the skill requirements of the economy, develop policies for the adequate occupational development and maximum utilization of the skills of the Nation's workers, promote and encourage the development of broad and diversified training programs, including on-the-job training, designed to qualify for employment the many persons who cannot reasonably be expected to secure full-time employment without such training, and to equip the Nation's workers with the new and improved skills that are or will be required. Whenever appropriate, the Secretary of Labor shall coordinate and provide for combinations of programs to be pursued concurrently or sequentially, under this Act with programs under other Federal Acts, where the purposes of this Act would be accomplished thereby.

### SELECTION OF TRAINEES

SEC. 202. (a) The Secretary of Labor shall provide a program for testing, counseling, and selecting for occupational training under this Act those unemployed or underemployed persons who cannot reasonably be expected to secure appropriate full-time employment without training. Workers in farm families with less than $1,200 annual net family income shall be considered unemployed for the purpose of this Act.

(b) Whenever appropriate the Secretary shall provide a special program for the testing, counseling, selection, and referral of youths, sixteen years of age or older, for occupational training and further schooling, who because of inadequate educational background and work preparation are unable to qualify for and obtain employment without such training and schooling.

(c) The Secretary of Labor shall provide, where appropriate, a special program of testing, counseling, selection, and referral of persons forty-five years of age or older for occupational training and further schooling designed to meet the special problems faced by such persons in the labor market.

(d) Although priority in referral for training shall be extended to unemployed persons, the Secretary of Labor shall, to the maximum extent possible, also refer other persons qualified for training programs which will enable them to acquire needed skills. Priority in referral for training shall also be extended to persons to be trained for skills needed within, first, the labor market area in which they reside and, second, within the State of their residence.

(e) The Secretary of Labor shall determine the occupational training needs of referred persons, provide for their orderly selection and referral for training under this Act, and provide counseling and placement services to persons who have completed their training, as well as follow-up studies to determine whether the programs provided meet the occupational training needs of the persons referred.

(f) Before selecting a person for training, other than for training under subsection (i),[2] the Secretary shall determine that there is a reasonable expectation of employment in the occupation for which the person is to be trained. If such employment is not available in the area in which the person resides, the Secretary shall obtain reasonable assurance of such person's willingness to accept employment outside his area of residence.

(g) The Secretary shall not refer persons for training in an occupation which requires less than two weeks training, unless there are immediate employment opportunities in such occupation.

(h) The duration of any training program to which a person is referred shall be reasonable and consistent with the occupation for which the person is being trained.

(i) Upon certification by the responsible training agency that a person who has been referred for training does not have a satisfactory attendance record or is not making satisfactory progress in such training absent good cause, the Secretary shall forthwith terminate his training and subsistence allowances, and his transportation allowances except such as may be necessary to enable him to return to his regular place of residence after termination of training, and withdraw his referral. Such person shall not be eligible for such allowances for one year thereafter.

(j) Whenever appropriate, the Secretary of Labor may also refer, for the attainment of basic education and communications and employment skills, those eligible persons who indicate their intention to and will thereby be able to pursue, subsequently or concurrently, courses of occupational training of a type for which there appears to be a reasonable expectation of employment, or who have completed or do not need occupational training but do require such other preparation to render them employable. Such referrals shall be considered a referral for training within the meaning of this Act.

(k) The Secretary of Labor may enter into an agreement with the Secretary of Health, Education, and Welfare for the purpose of furthering the objectives of this Act by facilitating the provision of appropriate physical examinations, medical treatment, and prostheses for persons selected or otherwise eligible to be selected for training under this Act. The agreement may provide that where any such person cannot reasonably be expected to pay the cost of the services and the services are not otherwise available without cost to him from any other resource in the community, there may be expended (from sums appropriated to carry out this title and pursuant to arrangements made by the Secretary of Health, Education, and Welfare) not more than an aggregate of $100 to provide such services to that person. If the Secretary of Health, Education, and Welfare is unable to arrange for the provision of services under this section, the Secretary of Labor may expend not more than an aggregate of $100 to provide such services to any one person.

(l) In order to assist in providing qualified workers in areas or in occupations in which there are critical skill shortages the Secretary of Labor shall, in accordance with regulations prescribed by him, provide an experimental program for part-time training of persons, including employed persons, to meet such skill shortages.

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[2] Apparent technical error; reference to subsection "(j)" probably intended.

### TRAINING ALLOWANCES

SEC. 203. (a) The Secretary of Labor may, on behalf of the United States, enter into agreements with States under which the Secretary of Labor shall make payments to such States either in advance or by way of reimbursement for the purpose of enabling such States, as agents for the United States, to make payments of weekly training allowances to unemployed persons selected for training pursuant to the provisions of section 202 and undergoing such training in a program operated pursuant to the provisions of the Act. Such payments shall be made for a period not exceeding one hundred and four weeks, and the basic amount of any such payment in any week for persons undergoing training, including uncompensated employer-provided training, shall not exceed $10 more than the amount of the average weekly gross unemployment compensation payment (including allowances for dependents) for a week of total unemployment in the State making such payments during the most recent four-calendar-quarter period for which data are available: *Provided*, That the basic amount of such payments may be increased by $5 a week for each dependent over two up to a maximum of four additional dependents: *Provided further*, That in any week an individual who, but for his training, would be entitled to unemployment compensation in excess of his total allowance, including payments for dependents, shall receive an allowance increased by the amount of such excess. With respect to Guam and the Virgin Islands the Secretary shall by regulation determine the amount of the training allowance to be paid any eligible person training under this Act.

With respect to any week for which a person receives unemployment compensation under title XV of the Social Security Act or any other Federal or State unemployment compensation law which is less than the total training allowance, including payments for dependents, provided for by the preceding paragraph, a supplemental training allowance may be paid to a person eligible for a training allowance under this Act. The supplemental training allowance shall not exceed the difference between his unemployment compensation and the training allowance provided by the preceding paragraph.

For persons undergoing on-the-job training, the amount of any payment which would otherwise be made by the Secretary of Labor under this section shall be reduced by an amount which bears the same ratio to that payment as the number of compensated hours per week under the training program bears to forty hours.

The training allowance of a person engaged in training under section 204 or 231 shall not be reduced on account of employment (other than employment under an on-the-job training program under section 204) which does not exceed twenty hours per week, but shall be reduced in an amount equal to his full earnings for hours worked (other than in employment under such an on-the-job training program) in excess of twenty hours per week.

(b) The Secretary of Labor is authorized to pay to any person engaged in training under this title, including compensated fulltime on-the-job training, such sums as he may determine to be necessary to defray transportation expenses, and when such training is provided in facilities which are not within commuting distance of the trainee's regular place of residence, subsistence expenses for separate maintenance of the trainee: *Provided*, That the Secretary in defraying such subsistence expenses shall not afford any individual an allowance exceeding $35 per week, at the rate of $5 per day; nor shall the Secretary authorize any transportation expenditure exceeding the rate of 10 cents per mile, except in the case of local transportation where he may authorize reimbursement for the trainee's travel by the most economical mode of public transportation, and except that in noncontiguous States and in areas outside the continental United States where the per diem allowance prescribed under section 836 of title 5, United States Code, exceeds the maximum per diem allowance prescribed under that section for contiguous States, the Secretary may provide for a reasonable increase in the transportation and subsistence expenses in such amounts as he may deem necessary to carry out the purposes of this Act, and subject to such limitations as he may prescribe.

(c) The Secretary of Labor shall pay training allowances only to unemployed persons who have had at least one year of experience in gainful employment: *Provided*, That he shall not pay training allowances to members of a family or a household in which the head of the family or the head of the household as defined in the Internal Revenue Code of 1954 is employed, unless the Secretary determines that such payments are necessary in order for the trainees to undertake or to continue training: *Provided further*, That, no allowances shall be paid to any member of a family or household if the Secretary of Labor determines that the head of such family or household has terminated his employment for the purpose of qualifying such member for training allowances under this section. Notwithstanding the preceding sentence, the Secretary may pay training allowances at a rate not in excess of $20 a week to youths seventen years of age or older who require such training allowance in order to undertake training, who are referred for training in accordance with section 202(b), and who are not entitled to allowances under the preceding sentence, except that no such training allowance shall be paid to any such youth who has not graduated from high school, unless the Secretary has satisfied himself that such youth has continuously failed to attend school for a period of not less than one year or that the local authorities after pursuing all appropriate procedures, including guidance and counseling, have concluded, after considering any assistance available under section 13 of the Vocational Education Act of 1963, that further school attendance by such youth in any regular academic or vocational program is no longer practicable under the circumstances. The number of youths under the age of twenty-two who are receiving training allowances (or who would be entitled thereto but for the receipt of unemployment compensation) shall, except for such adjustments as may be necessary for effective management for programs under this section, not exceed 25 per centum of all persons receiving such allowances (or who would be entitled thereto but for the receipt of unemployment compensation). The Secretary of Labor may authorize continued payments of allowances to any youth who becomes twenty-two years of age during the course of his training, if he has completed a substantial part of such training. Notwithstanding any provision to the contrary in this subsection or in subsection (h), the Secretary may refer any individual who has completed a program under part B of title I of the Economic

Opportunity Act of 1964 to training under this Act, and such individual may be paid a training allowance as provided in section 203(a) of this Act without regard to the requirements imposed on such payments by the preceding sentences of subsection (c) or by subsection (h) of this section. Such payments shall not exceed the average weekly gross unemployment compensation payment (including allowances for dependents) for a week of total unemployment in the State making such payments during the most recent four-calendar-quarter period for which such data are available. Such persons shall not be deemed youths for the purpose of applying the provision under this subsection limiting the number of youths who may receive training allowances.

(d) No training allowance shall be made to any person otherwise eligible who, with respect to the week for which such payment would be made, has received or is seeking unemployment compensation under title XV of the Social Security Act or any other Federal or State unemployment compensation law, but if the appropriate State or Federal agency finally determines that a person denied training allowances for any week because of this subsection was not entitled to unemployment compensation under title XV of the Social Security Act or such Federal or State law with respect to such week, this subsection shall not apply with respect to such week.

(e) A person who refuses, without good cause, to accept training under this Act shall not, for one year thereafter, be entitled to training allowances.

(f) Any agreement under this section may contain such provisions (including, as far as may be appropriate, provisions authorized or made applicable with respect to agreements concluded by the Secretary of Labor pursuant to title XV of the Social Security Act) as will promote effective administration, protect the United States against loss and insure the proper application of payments made to the State under such agreement. Except as may be provided in such agreements, or in regulations hereinafter authorized, determinations by any duly designated officer or agency as to the eligibility of persons for weekly training allowances under this section shall be final and conclusive for any purposes and not subject to review by any court or any other officer.

(g)(1) If State unemployment compensation payments are paid to a person taking training under this Act and eligible for a training allowance, the State making such payments shall be reimbursed from funds herein appropriated. The amount of such reimbursement shall be determined by the Secretary of Labor on the basis of reports furnished to him by the States and such amount shall then be placed in the State's unemployment trust fund account.

(2) If employment benefits under the Railroad Unemployment Insurance Act are paid to a person taking training under this Act and eligible for a training allowance, the railroad unemployment insurance account in the unemployment trust fund shall be reimbursed, from funds herein aprpopriated, for all of such benefits paid. The amount of such reimbursement shall be determined by the Secretary of Labor on the basis of reports furnished to him by the Railroad Retirement Board and such amount shall then be placed in the railroad unemployment insurance account.

(h) A person who, in connection with an occupational training program, has received a training allowance or whose unemployment compensation payments were reimbursed under the provisions of this Act or any other Federal Act shall not be entitled to training allowances under this Act for one year after the completion or other termination (for other than good cause) of the training with respect to which such allowance or payment was made unless the Secretary determines that there is good cause to permit an individual referred to further training to receive training allowances so that he may be prepared adequately for full-time employment.

(i) No training allowance shall be paid to any person who is receiving training for an occupation which requires a training period of less than six days.

(j) To assure the maximum use of training opportunities, the Secretary of Labor is authorized to make, or cause to be made, advance payments of training allowances or a part thereof to individuals selected for training who, because of immediate financial needs for the maintenance of themselves or their dependents pending receipt of training allowances, would otherwise be unable to enter or continue training. The total advance payments to a trainee under this subsection outstanding at any time shall not exceed the amount of the average weekly gross unemployment compensation payment (including allowances for dependents) for a week of total unemployment in the State making such payments during the four-calendar-quarter period for which such data are available most immediately prior to the commencement of training by such trainee. Such advance payments shall be repaid either through deductions from training allowances or through other arrangements with such trainee.

(k) Under such standards as the Secretary of Labor may find appropriate to achieve the purposes of subsection 202(l), an individual referred to part-time training under such section shall be paid an amount not to exceed $10 with respect to each week in which he is engaged in such training and such payment shall be in lieu of any other payments to which he may otherwise be entitled under this section.

(l)(1) No training allowance shall be paid to any person for any period for which a money payment has been made with respect to the need of that person under a State plan which has been approved under title I, IV, X, XIV, or XVI of the Social Security Act and which meets the requirements of the first sentence of paragraph (2) of this subsection. The Secretary of Labor is authorized to pay to any such person (A) such sums as the Secretary determines to be necessary to defray expenses of that person which are attributable to training pursuant to the provisions of this Act, and (B) a training incentive payment of not more than $20 per week. Persons receiving payments under the preceding sentence shall be counted for purposes of the third sentence of section 203(c) as though they were receiving training allowances.

(2) Notwithstanding the provisions of titles I, IV, X, XIV, and XVI of the Social Security Act, a State plan approved under any such title shall provide that no payment made to any person pursuant to paragraph (1) of this subsection shall be regarded (A) as income or resources of that person in determining his need under such approved

State plan, or (B) as income or resources of any other person in determining the need of that other person under such approved State plan. No funds to which a State is otherwise entitled under title I, IV, X, XIV, or XVI of the Social Security Act for any period before the first month beginning after the adjournment of the State's first regular legislative session which adjourns more than sixty days after the enactment of this subsection shall be withheld by reason of any action taken pursuant to a State statute which prevents such State from complying with the requirements of this paragraph.

### ON-THE-JOB TRAINING

SEC. 204. (a) The Secretary of Labor shall encourage, develop, and secure the adoption of programs for on-the-job training needed to equip persons selected for training with the appropriate skills. The Secretary shall, to the maximum extent possible, secure the adoption by the States and by private and public agencies, employers, trade associations, labor organizations and other industrial and community groups which he determines are qualified to conduct effective training programs under this title of such programs as he approves, and for this purpose he is authorized to enter into appropriate agreements with them.

(b) In adopting or approving any training program under this part, and as a condition to the expenditure of funds for any such program, the Secretary shall make such arrangements as he deems necessary to insure adherence to appropriate training standards, including assurances—

(1) that the training content of the program is adequate, involves reasonable progression, and will result in the qualification of trainees for suitable employment;

(2) that the training period is reasonable and consistent with periods customarily required for comparable training;

(3) that adequate and safe facilities, and adequate personnel and records of attendance and progress are provided; and

(4) that the trainees are compensated by the employer at such rates, including periodic increases, as may be deemed reasonable under regulations hereinafter authorized, considering such factors as industry, geographical region, and trainee proficiency.

(c) Where on-the-job training programs under this part require supplementary classroom instruction, appropriate arrangements for such instruction shall be agreed to by the Secretary of Health, Education, and Welfare and the Secretary of Labor.

### ADVISORY COMMITTEES

SEC. 205. (a) The Secretary shall appoint a National Advisory Committee which shall consist of ten members and shall be composed of representatives of labor, management, agriculture, education, and training, and the public in general. From the members appointed to such Committee the Secretary shal designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

(b) For the purpose of making expert assistance available to persons formulating and carrying on programs under this title, the Secretary shall, where appropriate, require the organization on a community, State, and/or regional basis of labor-management-public advisory committees.

(c) The National Advisory Committee may accept gifts or bequests, either for carrying out specific programs or for its general activities or for its responsibilities under subsection (b) of this section.

(d) Appointed members of the National Advisory Committee shall be paid compensation at the rate of $50 per diem when engaged in the work of the National Advisory Committee, including travel time, and shall be allowed travel expenses and per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently and receiving compensation on a per diem, when actually employed, basis.

(e) (1) Any member of the National Advisory Committee is hereby exempted, with respect to such appointment, from the operation of sections 281, 283, and 1914 of title 18 of the United States Code, and section 190 of the Revised Statutes (5 U.S.C. 99), except as otherwise specified in paragraph (2) of this subsection.

(2) The exemption granted by paragraph (1) of this subsection shall not extend—

(A) to the receipt or payment of salary in connection with the appointee's Government service from any source other than the private employer of the appointee at the time of his appointment, or

(B) during the period of such appointment, to the prosecution or participation in the prosecution, by any person so appointed, of any claim against the Government involving any matter with which such person, during such period, is or was directly connected by reason of such appointment.

### STATE AGREEMENTS

SEC. 206. (a) The Secretary of Labor is authorized to enter into an agreement with each State, or with the appropriate agency of each State, pursuant to which the Secretary of Labor may, for the purpose of carrying out his functions and duties under this title, utilize the services of the appropriate State agency and, notwithstanding any other provision of law, may make payments to such State or appropriate agency for expenses incurred for such purposes.

(b) Any agreement under this section may contain such provisions as will promote effective administration, protect the United States against loss and insure that the functions and duties to be carried out by the appropriate State agency are performed in a manner satisfactory to the Secretary.

### RULES AND REGULATIONS

SEC. 207. The Secretary of Labor shall prescribe such rules and regulations as he may deem necessary and appropriate to carry out the provisions of this part.

## Part B—Duties of the Secretary of Health, Education, and Welfare

### GENERAL RESPONSIBILITIES

Sec. 231. The Secretary of Health, Education, and Welfare shall, pursuant to the provisions of this title enter into agreements with States under which the appropriate State education agencies will undertake to provide training needed to equip persons referred to the Secretary of Health, Education, and Welfare by the Secretary of Labor pursuant to section 202, for the occupations specified in the referrals, except that with respect to education to be provided pursuant to referrals under subsection (b) or (i)[3] of section 202, the Secretary of Health, Education, and Welfare may make arrangements for the provision of the education to be provided under such subsection through other appropriate education agencies. Such State agencies shall provide for such training through public educational agencies or institutions or through arrangements with private educational or training institutions where such private institutions can provide equipment or services not available in public institutions, particularly for training in technical and subprofessional occupations, or where such institutions can, at comparable cost, (1) provide substantially equivalent training, or (2) make possible an expanded use of the individual referral method, or (3) aid in reducing more quickly unemployment or current and prospective manpower shortages. The State agency shall be paid not more than 90 per centum of the cost to the State of carrying out the agreement, unless the Secretary of Health, Education, and Welfare determines that payments in excess of 90 per centum are necessary because such payments with respect to private institutions or programs carried out in conjunction with programs or projects under section 102(6) are required to give full effect to the purposes of the Act: *Provided*, That for the period ending June 30, 1966, the State agency shall be paid 100 per centum of the cost to the State of carrying out the agreement. Non-Federal contributions may be in cash or kind, fairly evaluated, including but not limited to plant, equipment, and services. Such agreements shall contain such other provisions as will promote effective administration (including provision (1) for reports on the attendance and performance of trainees, (2) for immediate certification to the Secretary of Labor by the responsible training agency with respect to each person referred for training who does not have a satisfactory attendance record or is not making satisfactory progress in such training absent good cause, and (3) for continuous supervision of the training programs conducted under the agreement to insure the quality and adequacy of the training provided), protect the United States against loss, and assure that the functions and duties to be carried out by such State agency are performed in such fashion as will carry out the purposes of this title. The Secretary of Health, Education, and Welfare shall give preference to training and education provided through State vocational education agencies and other State education agencies. However, in any case in which he determines that it would permit persons to begin their training or education within a shorter period of time, or permit the needed training or education to be provided more economically, or more effectively, he may provide the needed training or education by agreement or contract made directly with public or private training or educational facilities or through such other arrangements as he deems necessary to give full effect to this Act.

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[3] Apparent technical error; reference to subsection "(j)" probably intended.

### RULES AND REGULATIONS

SEC. 232. The Secretary of Health, Education, and Welfare may prescribe such rules and regulations as he may deem necessary and appropriate to carry out the provisions of this part.

### ANNUAL REPORT

SEC. 233. Prior to April first of each year, the Secretary of Health, Education, and Welfare shall make an annual report to Congress. Such report shall contain an evaluation of the programs under section 231, the need for continuing such programs, and recommendations for improvement. The reports shall also contain progress reports on the vocational training study which will be conducted under the supervision of the Secretary during 1966 and 1967.

## PART C—REDEVELOPMENT AREAS

SEC. 241. The Secretaries of Labor and of Health, Education, and Welfare, in accordance with their respective responsibilities under parts A and B of this title, are authorized to provide a supplementary program of training and training allowances, in consultation with the Secretary of Commerce, for unemployed and underemployed persons residing in areas designated as redevelopment areas by the Secretary of Commerce under the Area Redevelopment Act or any subsequent Act authorizing such designation. Such program shall be carried out by the Secretaries of Labor and of Health, Education, and Welfare in accordance with the provisions otherwise applicable to programs under this Act and with their respective functions under those provisions, except that—

(1) the Secretary of Labor, in consultation with the Secretary of Commerce, shall determine the occupational training or retraining needs of unemployed or underemployed individuals residing in redevelopment areas;

(2) all unemployed or underemployed individuals residing in redevelopment areas who can reasonably be expected to obtain employment as a result of such training may be referred and selected for training and shall be eligible for training allowances under this section: *Provided*, That the amount and duration of training allowances under this section shall in no event exceed the amount and duration of training allowances provided under section 203(a) of this Act;

(3) the Secretaries of Labor and of Health, Education, and Welfare shall, each with respect to his functions under this section, prescribe jointly with the Secretary of Commerce such rules and regulations as may be necessary to carry out the purposes of this section; and

(4) no funds available under this section shall be apportioned to any State pursuant to section 301 of this Act, nor shall any matching funds be required.

### PART D—CORRECTIONAL INSTITUTIONS

SEC. 251. Without regard to any other provision of this title or section 301 of this Act, the Secretary of Labor shall, during the period ending June 30, 1969, develop and carry out experimental and demonstration programs of training and education for persons in correctional institutions who are in need thereof to obtain employment upon release. Arrangements for such education and training shall be made by the Secretary of Health, Education, and Welfare after consultation with the appropriate area manpower development and training advisory committee. Programs under this part shall be conducted through agreements with officials of Federal, State, and local correctional institutions. To the fullest extent practicable, the Secretary of Labor shall utilize the available services of other Federal departments and agencies. Programs under this part may include vocational education; special job development and placement activities; prevocational, basic, and secondary education, and counseling, where appropriate; supportive and followup services and such other assistance as is deemed necessary.

### PART E—WORK EXPERIENCE AND TRAINING PROGRAMS

SEC. 261. (a) The Secretary of Labor in cooperation with the Secretary of Health, Education, and Welfare shall provide, under this part, programs for needy persons who require work experience or special family and supportive services, as well as training, in order that they may be assisted to secure and hold regular employment in a competitive labor market. Such programs shall—

(1) provide for the selection of participants pursuant to procedures and criteria jointly prescribed by the Secretary of Labor and the Secretary of Health, Education, and Welfare;

(2) include pretraining services and basic maintenance, health, family and day care, counseling, and similar social services, and basic education, as provided by the Secretary of Health, Education, and Welfare pursuant to section 502 of the Economic Opportunity Act of 1964, as amended;

(3) provide through agreements with appropriate public or private nonprofit agencies, work experience to the extent required to assist participants in developing necessary work attitudes or to prepare them for work or training involving the acquisition of needed skills;

(4) provide testing, counseling, training either on or off the job (including classroom instruction where needed through appropriate arrangements agreed to by the Secretary of Labor and the Secretary of Health, Education, and Welfare), to assist participants to develop their occupational potential, improve their occupational level and secure promotion or advancement;

(5) provide, through appropriate arrangements with employers, labor organizations, and other public and private agencies, for development where needed of additional employment oppor-

tunities for participants, for job referral and follow-up services required to assist participants in securing and retaining employment and securing possibilities for advancement; and

(6) provide, in accordance with the criteria prescribed in section 104 of this Act, relocation assistance to involuntarily unemployed individuals where the Secretary of Labor determines they cannot reasonably be expected to secure full-time employment in the community in which they reside.

(b) In developing and approving programs under this part, the Secretary of Labor shall give priority to programs with a high-training potential and which afford the best prospects for contributing to the upward mobility of participants.

(c) Notwithstanding any other provision of this Act, the provisions of section 503 of the Economic Opportunity Act of 1964, as amended, shall govern the use and apportionment among the several States of funds provided pursuant to such Act for the purpose of carrying out this part.

## TITLE III—MISCELLANEOUS

### APPORTIONMENT OF BENEFITS

SEC. 301. For the purpose of effecting an equitable apportionment of Federal expenditures among the States in carrying out the programs authorized under parts A and B of title II of this Act, the Secretary of Labor and the Secretary of Health, Education, and Welfare shall apportion 80 per centum of the funds available for such purposes in accordance with uniform standards and in arriving at such standards shall consider only the following factors: (1) the proportion which the labor force of a State bears to the total labor force of the United States, (2) the proportion which the unemployed in a State during the preceding calendar year bears to the total number of unemployed in the United States in the preceding calendar year, (3) the lack of appropriate full-time employment in the State, (4) the proportion which the insured unemployed within a State bears to the total number of insured employed within such State, and (5) the average weekly unemployment compensation benefits paid by the State. The remaining 20 per centum may be expended by the Secretary of Labor and the Secretary of Health, Education, and Welfare as they find necessary or approprate to carry out the purposes of title II. The Secretary of Labor and the Secretary of Health, Education, and Welfare are authorized to make reapportionments from time to time where the total amounts apportioned under this section have not been fully obligated in a particular State, or where the State or appropriate agencies in the State have not entered into the necessary agreements, and the Secretaries find that any other State is in need of additional funds to carry out the programs authorized by this Act: *Provided*, That no funds apportioned with respect to a State in any fiscal year shall be reaportioned before the expiration of the sixth month of such fiscal year and only upon 30 days' prior notice to such State of the proposed reapportionment, except that the requirement for prior notice shall not apply with respect to any reapportionment made during the last quarter of the fiscal year.

### MAINTENANCE OF STATE EFFORT

SEC. 302. No training program which is financed in whole or in part by the Federal Government under this Act shall be approved unless the Secretary of Labor, if the program is authorized under part A of title II, or the Secretary of Health, Education, and Welfare, if the program is authorized under part B of title II, satisfies himself that neither the State nor the locality in which the training is carried out has reduced or is reducing its own level of expenditures for vocational education and training, including program operation under provisions of the Smith-Hughes Vocational Education Act, titles I, II, and III of the Vocational Education Act of 1946, and the Vocational Education Act of 1963, except for reductions unrelated to the provisions or purposes of this Act.

### OTHER AGENCIES AND DEPARTMENTS

SEC. 303. (a) In the performance of their function under this Act, the Secretary of Labor and the Secretary of Health, Education, and Welfare, in order to avoid unnecessary expense and duplication of functions among Government agencies, shall use the available services or facilities of other agencies and instrumentalities of the Federal Government, under conditions specified in section 306(a). Each department, agency, or establishment of the United States is authorized and directed to cooperate with the Secretary of Labor and the Secretary of Health, Education, and Welfare and, to the extent permitted by law, to provide such services and facilities as either may request for his assistance in the performance of his functions under this Act.

(b) The Secretary of Labor and the Secretary of Health, Education, and Welfare shall carry out their responsibilities under this Act through the maximum utilization of all possible resources for skill development available in industry, labor, public and private educational and training institutions, State, Federal, and local agencies, and other appropriate public and private organizations and facilities.

### APPROPRIATIONS AUTHORIZED

SEC. 304. (a) For the purposes of carrying out title I, there are hereby authorized to be appropriated not in excess of $46,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter such amounts as may be necessary.

(b) For the purpose of carrying out parts A and B of title II, there are hereby authorized to be appropriated not in excess of $385,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter such amounts as may be necessary.

(c) For the purpose of carrying out part C of title II, there are hereby authorized to be appropriated not in excess of $22,000,000 for the fiscal year ending June 30, 1966, and for each year thereafter such amounts as may be necessary.

(d) For the purpose of carrying out part D of title II, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1968, and for the fiscal year ending June 30, 1969, such amounts as may be necessary.

(e) For the purpose of carrying out title III, there are hereby authorized to be appropriated not in excess of $1,000,000 for the fiscal year ending June 30, 1966, and for each year thereafter such amounts as may be necessary.

### LIMITATIONS ON USE OF APPROPRIATED FUNDS

SEC. 305. (a) Funds appropriated under the authorization of this Act may be transferred, with the approval of the Director of the Bureau of the Budget, between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

(b) Any equipment and teaching aids purchased by a State or local education agency with funds appropriated to carry out the provisions of part B shall become the property of the State.

(c) No portion of the funds to be used under part B of this Act shall be appropriated directly or indirectly to the purchase, erection, or repair of any building except for minor remodeling of a public building necessary to make it suitable for use in training under part B.

(d) Funds appropriated under this Act shall remain available for one fiscal year beyond that in which appropriated.

(e) The costs of all training programs approved in any fiscal year, including the total cost of training allowances for such programs, may be paid from funds appropriated for such purposes for that fiscal year; and the amount of the Federal payment shall be computed on the basis of the per centum requirement in effect at the time such programs are approved: *Provided*, That funds appropriated for the fiscal year ending June 30, 1966, may be expended for training programs approved under this Act prior to July 1, 1965.

### AUTHORITY TO CONTRACT

SEC. 306. (a) The Secretary of Labor and the Secretary of Health, Education, and Welfare may make such contracts or agreements, establish such procedures, including (subject to such policies, rules, and regulations as they may prescribe) the approval of any program under section 202, the cost of which does not exceed $75,000, and make such payments, either in advance or by way of reimbursement, or otherwise allocate or expend funds made available under this Act, as they deem necessary to carry out the provisions of this Act.

(b) The Secretary of Labor and the Secretary of Health, Education, and Welfare shall not use any authority conferred by this Act to assist in relocating establishments from one area to another. Such limitation shall not prohibit assistance to a business entity in the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary of Labor finds that assistance will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless he has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

### SELECTION AND REFERRAL

SEC. 307. The selection of persons for training under this Act and for placement of such persons shall not be contingent upon such person's membership or nonmembership in a labor organization.

### DEFINITION

SEC. 308. For the purposes of this Act, the term "State" includes the District of Columbia, Puerto Rico, the Virgin Islands, and Guam.

### SECRETARIES' REPORTS

SEC. 309 (Repealed by P.L. 89–792, Nov. 7, 1966, 80 Stat. 1434.)

### TERMINATION OF AUTHORITY

SEC. 310. (a) All authority conferred under title II of this Act shall terminate at the close of June 30, 1969.

(b) Notwithstanding the foregoing, the termination of title II shall not affect the disbursement of funds under, or the carrying out of, any contract, commitment or other obligation entered into prior to the date of such termination: *Provided*, That no disbursement of funds shall be made pursuant to the authority conferred under title II of this Act after December 30, 1969.

# TITLES I-B AND D OF THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED

## PART B—WORK AND TRAINING FOR YOUTH AND ADULTS

### STATEMENT OF PURPOSE

SEC. 120. The purpose of this part is to provide useful work and training opportunities, together with related services and assistance that will assist low-income youths to continue or resume their education, and to help unemployed or low-income persons, both young and adult, to obtain and hold regular competitive employment, with maximum opportunities for local initiative in developing programs which respond to local needs and problems, and with emphasis upon a comprehensive approach which includes programs using both public and private resources to overcome the complex problems of the most severely disadvantaged in urban and rural areas having high concentrations or proportions of unemployment, underemployment, and low income.

### COMMUNITY PROGRAM AREAS AND COMPREHENSIVE WORK AND TRAINING PROGRAMS

SEC. 121. (a) The Director shall designate or recognize community program areas for the purpose of planning and conducting comprehensive community work and training programs.

(b) For the purpose of this part, a community may be a city, county, multicity, or multicounty unit, an Indian reservation, or a neighborhood or other area (irrespective of boundaries or political subdivisions) which provides a suitable organizational base and possesses the commonality of interest needed for a comprehensive work and training program. The Director shall consult with the heads of other Federal agencies responsible for programs relating to community action, manpower services, physical and economic development, housing, education, health, and other community services to encourage the establishment of coterminous or complementary boundaries for planning purposes among those programs and comprehensive work and training programs assisted under this part.

(c) A comprehensive work and training program must seek to provide participants and unbroken sequence of services which will enable them to obtain and hold employment. It shall provide a systematic approach to planning and implementation including the linkage of relevant component programs authorized by this Act with one another and with other appropriate public and private programs and activities. It shall also provide for evaluation.

### PRIME SPONSORS AND DELEGATE AGENCIES

SEC. 122. (a) For each community program area, the Director shall recognize a public or private nonprofit agency which shall serve as the prime sponsor to receive funds under section 123 (except as otherwise provided in section 123(c)). This agency must be capable of planning, administering, coordinating, and evaluating a comprehensive work and training program.

(b) The prime sponsor shall provide for participation of employers and labor organizations in the planning and conduct of the comprehensive work and training programs.

(c) The prime sponsor shall be encouraged to make use of public and private organizations as delegate agencies to carry out components of the comprehensive work and training program, including without limitation agencies governed with the participation of the poor and other residents of the neighborhoods or rural areas served, educational institutions, the public employment service, the public welfare agency, other health and welfare agencies, private training institutions, and other capable public and private organizations.

(d) The prime sponsor and delegate agencies shall provide for participation of residents of the area and members of the groups served in the planning, conduct, and evaluation of the comprehensive work and training program and its components. Such persons shall be provided maximum employment opportunity in the conduct of component programs, including opportunity for further occupational training and career advancement.

(e) The Director shall prescribe regulations to assure that programs under this part have adequate internal administrative controls, accounting requirements, personnel standards, evaluation procedures, and other policies as may be necessary to promote the effective use of funds.

### ELIGIBLE ACTIVITIES

SEC. 123. (a) The Director may provide financial assistance in urban and rural areas for comprehensive work and training programs or components of such programs, including the following:

(1) programs to provide part-time employment, on-the-job training, and useful work experience for students from low-income families who are in the ninth through twelfth grades of school (or are of an age equivalent to that of students in such grades) and who are in need of the earnings to permit them to resume or maintain attendance in school;

(2) programs to provide unemployed, underemployed, or low-income persons (aged sixteen and over) with useful work and training (which must include sufficient basic education and institutional or on-the-job training) designed to assist those persons to develop their maximum occupational potential and to obtain regular competitive employment;

(3) special programs which involve work activities directed to the needs of those chronically unemployed poor who have poor employment prospects and are unable, because of age, lack of employment opportunity, or otherwise, to secure appropriate employment or training assistance under other programs, and

which, in addition to other services provided, will enable such persons to participate in projects for the betterment or beautification of the community or area served by the program, including without limitation activities which will contribute to the management, conservation, or development of natural resources, recreational areas, Federal, State, and local government parks, highways, and other lands;

(4) special programs which provide unemployed or low-income persons with jobs leading to career opportunities, including new types of careers, in programs designed to improve the physical, social, economic, or cultural condition of the community or area served in fields including without limitation health, education, welfare, neighborhood redevelopment, and public safety, which provide maximum prospects for advancement and continued employment without Federal assistance, which give promise of contributing to the broader adoption of new methods of structuring jobs and new methods of providing job ladder opportunities, and which provide opportunities for further occupational training to facilitate career advancement;

(5) special programs which concentrate work and training resources in urban and rural areas having large concentrations or proportions of low-income, unemployed persons, and within those rural areas having substantial outmigration to urban areas, which are appropriately focused to assure that work and training opportunities are extended to the most severely disadvantaged persons who can reasonably be expected to benefit from such opportunities, and which are supported by specific commitments of cooperation from private and public employers;

(6) supportive and follow-up services to supplement work and training programs under this or other Acts including health services, counseling, day care for children, transportation assistance, and other special services necessary to assist individuals to achieve success in work and training programs and in employment;

(7) employment centers and mobile employment service units to provide recruitment, counseling, and placement services, conveniently located in urban neighborhoods and rural areas and easily accessible to the most disadvantaged;

(8) programs to provide incentives to private employers, other than nonprofit organizations, to train or employ unemployed or low-income persons, including arrangements by direct contract, reimbursements to employers for a limited period when an employee might not be fully productive, payment for on-the-job counseling and other supportive services, payment of all or part of employer costs of sending recruiters into urban and rural areas of high concentrations or proportions of unemployed or low-income persons, and payments to permit employers to provide employees resident in such areas, with transportation to and from work or to reimburse such employees for such transportation: *Provided*, That in making such reimbursements to employers the Director shall assure that the wages paid any employee shall not be less than the minimum wage which would be applicable to employment under the Fair Labor Standards Act of 1938 if

section 6 of such Act applied to the employee and he was not exempt under section 13 thereof; and

(9) means of planning, administering, coordinating, and evaluating a comprehensive work and training program.

(b) Commencing July 1, 1968, all work and training component programs conducted in a community under this section shall be consolidated into the comprehensive work and training program and financial assistance for such components shall be provided to the prime sponsor unless the Director determines there is a good cause for providing an extension of time, except as otherwise provided by subsection (c). After that date, the work and training components of programs authorized by section 502 of this Act and by section 261 of part E of title II of the Manpower Development and Training Act of 1962 shall to the maximum extent feasible be linked to the comprehensive work and training program, including funding through the prime sponsor where appropriate.

(c) The Director may provide financial assistance to a public agency or private organization other than a prime sponsor to carry out one or more component programs described in subsection (a) when he determines, after soliciting and considering comments of the prime sponsor, if any, that such assistance would enhance program effectiveness or acceptance on the part of persons served and would serve the purposes of this part. In the case of programs under subsection (a)(1) of this section, financial assistance may be provided directly to local or State educational agencies pursuant to agreements between the Director and the Secretary of Labor providing for the operation of such programs under direct grants or contracts.

### SPECIAL CONDITIONS

SEC. 124. (a) The Director shall not provide financial assistance for any program under this part unless he determines, in accordance with such regulations as he may prescribe, that—

(1) no participant will be employed on projects involving political parties, or the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship;

(2) the program will not result in the displacement of employed workers or impair existing contracts for services, or result in the substitution of Federal for other funds in connection with work that would otherwise be performed;

(3) the rates of pay for time spent in work-training and education, and other conditions of employment, will be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant; and

(4) the program will, to the maximum extent feasible, contribute to the occupational development or upward mobility of individual participants.

(b) The Director shall terminate financial assistance for any program under this part in any case in which he determines that any person charged, in whole or part, with the responsibility for the administration of the program is a member of the Communist Party.

(c) For programs which provide work and training related to physical improvements, preference shall be given to those improvements which will be substantially used by low-income persons and families or which will contribute substantially to amenities or facilities in urban or rural areas having high concentrations or proportions of low-income persons and families.

(d) Programs approved under this part shall, to the maximum extent feasible, contribute to the elimination of artificial barriers to employment and occupational advancement.

(e) Projects under this part shall provide for maximum feasible use of resources under other Federal programs for work and training and the resources of the private sector.

### PROGRAM PARTICIPANTS

SEC. 125. (a) Participants in programs under this part must be unemployed or low-income persons. The Director, in consultation with the Social Security Administrator, shall establish criteria for low income, taking into consideration family size, urban-rural and farm-nonfarm differences, and other relevant factors. Any individual shall be deemed to be from a low-income family if the family receives cash welfare payments.

(b) Participants must be permanent residents of the United States or of the Trust Territory of the Pacific Islands.

(c) Participants shall not be deemed Federal employees and shall not be subject to the provisions of law relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employment benefits.

### ELDERLY

SEC. 126. The Director shall provide that programs under this part shall be designed to deal with the incidence of long-term unemployment among persons fifty-five years and older. In the conduct of such programs, the Director shall encourage the employment of such persons as regular, part-time, and short-term staff in component programs.

### PILOT PROJECTS

SEC. 127 (a) The Director may provide financial assistance to public or private organizations for pilot projects which are designed to develop new approaches to further the objectives of this part. Such projects may be conducted by public agencies or private organizations.

(b) The Director shall undertake pilot projects designed to encourage the maximum participation of private employers, other than nonprofit organizations, in work and training programs under this part.

(c) Before the Director may approve a pilot project, he shall solicit and consider comments on such project from the prime sponsor, if any, in the community where the project will be undertaken.

### TECHNICAL ASSISTANCE AND TRAINING

SEC. 128. The Director may provide (directly or through contracts or other appropriate arrangements) technical assistance to assist in the initiation or effective operation of programs under this part. He may also make arrangements for the training of instructors and other personnel needed to carry out work and training programs under this part and part D of this title. He shall give special consideration to the problems of rural areas.

### ROLE OF THE STATES

SEC. 129. The Director may provide financial assistance to appropriate State agencies to—

(1) provide technical assistance and training, as authorized by section 128, with particular emphasis upon service to rural areas and for this purpose preference shall be given to the State agency which administers programs assisted by section 231;

(2) assist in coordinating State activities related to this part;

(3) operate work and training programs in communities which have not yet established an acceptable prime sponsor; and

(4) provide work and training opportunities on State projects and in State agencies: *Provided*, That these opportunities shall be made available to participants in community work and training programs.

### EQUITABLE DISTRIBUTION OF ASSISTANCE

SEC. 130. Of the sums appropriated or allocated for any fiscal year for programs authorized under this title, the Director shall reserve not to exceed 20 per centum for the purpose of carrying out section 123(a)(5); but not more than 12½ per centum of the funds so reserved for any fiscal year shall be used within any one State. With respect to the remaining funds appropriated or allocated to carry out the provisions of section 123, the Director shall establish criteria designed to achieve an equitable distribution of assistance among the States. In developing those criteria, he shall consider, among other relevant factors, the ratios of population, unemployment, and family income levels.

## PART D—SPECIAL IMPACT PROGRAMS

### STATEMENT OF PURPOSE

SEC. 150. The purpose of this part is to establish special programs which (1) are directed to the solution of the critical problems existing in particular communities or neighborhoods (defined without regard to political or other subdvisions or boundaries) within those urban areas having especially large concentrations of low-income persons, and within those rural areas having substantial out-migration to eligible urban areas and (2) are of sufficient size and scope to have an appreciable impact in such communities and neighborhoods in arresting tendencies toward dependency, chronic unemployment, and rising community tensions.

### ESTABLISHMENT OF PROGRAMS

SEC. 151. The Director is authorized to provide financial assistance to public agencies or private organizations for the payment of all or part of the costs of programs which are designed to carry out the purposes of this part. Such programs shall be restricted in number so that each is of sufficient size and scope to have an appreciable impact on the area served. Such programs may include—

(1) economic and business development programs, including programs which provide financial and other incentives to business to locate in or near the areas served so as to provide employment opportunities for residents of those areas, and programs such as those described in title IV of this Act for small businesses in or owned by residents of such areas;

(2) community development activities which create new training and employment opportunities and which contribute to an improved living environment; and

(3) manpower training programs for unemployed or low-income persons which support and complement economic, business, and community development programs, including without limitation activities such as those described in part B of this title.

### REQUIREMENTS FOR FINANCIAL ASSISTANCE

SEC. 152. (a) The Director shall not provide financial assistance for any program or component project under this part unless he determines that—

(1) all projects and related facilities will, to the maximum feasible extent, be located in the area served;

(2) projects will, where feasible, promote the development of entrepreneurial and management skills and the ownership or participation in ownership of assisted businesses by residents of the area served;

(3) projects will be planned and carried out with the maximum participation of local businessmen by their inclusion on program boards of directors, advisory councils, or through other appropriate means;

(4) the program will be appropriately coordinated with local planning under this Act, the Demonstration Cities and Metropolitan Development Act of 1966, and with other relevant plans for physical and human resources of the areas served;

(5) the requirements of subsections 122(e) and 124(a) of this Act have been met;

(6) preference will be given to the residents of the areas served in filling jobs and training opportunities; and

(7) training programs financed under this part shall be designed wherever feasible to provide those persons who successfully complete such training with skills which are also in demand in communities or neighborhoods other than those for which programs are established under this part.

(b) Financial assistance under this section shall not be extended to assist in the relocation of establishments from one location to another if such relocation would result in an increase in unemployment in the area of original location.

(c) The level of financial assistance for related purposes under this Act to the area served by a special impact program shall not be diminished in order to substitute funds authorized by this part.

(d) [1] Of the sums appropriated or allocated for any fiscal year for programs authorized under this title, the Director shall reserve not less than 7 per centum for the purpose of carrying out this part.

### APPLICATION OF OTHER FEDERAL RESOURCES

SEC. 153. (a) The Secretary of Housing and Urban Development shall, in consultation with the Director, take all necessary steps under the authority granted to him under title I of the Housing Act of 1949 to assure that land for business location and expansion purposes is made available as may be necessary to carry out the purpose of this part.

(b) Areas selected for assistance under this part shall be deemed "redevelopment areas" within the meaning of section 401 of the Public Works and Economic Development Act of 1965 and shall qualify for assistance under the provisions of title II of that Act.

(c) The Director shall take such steps as may be necessary and appropriate, in coordination and cooperation with the heads of other Federal departments and agencies, so that contracts, subcontracts, and deposits made by the Federal Government or in connection with programs aided with Federal funds are placed in such a way as to further the purposes of this part.

### EVALUATION

SEC. 154. Each program for which payments are made under section 151 shall provide for a thorough evaluation of the effectiveness of the program in achieving the goals of this part. This evaluation shall be conducted by such public or private organizations as the Director may designate, and up to 100 per centum of the costs of evaluation may be paid from funds appropriated to carry out this part. The results of such evaluations or a summary of them, together with the Director's findings and recommendations concerning the program, shall be included in the report required by section 608.

### FEDERAL SHARE OF PROGRAM COSTS

SEC. 155. Federal grants to any program carried out pursuant to this part shall not exceed 90 per centum of the cost of such program, including costs of administration, unless the Director determines, pursuant to regulations adopted and promulgated by him establishing objective criteria for such determinations, that assistance in excess of such percentage is required in furtherance of the purposes of this part. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services: *Provided*, That where capital investment is required under a contract with a private organization (other than a nonprofit organization), the Federal share thereof shall not exceed 90 per centum of such capital investment and the non-Federal share shall be as defined above.

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[1] The mandatory funding level provided for in this subsection was made inoperative during the fiscal year 1968 by the Supplemental Appropriation Act 1968, Public Law 90-239 Jan. 2, 1968, 81 Stat. 774.

# EVALUATING FEDERAL MANPOWER PROGRAMS*

(By Garth L. Mangum)

Summarizing 2 years of effort in 3,500 words indicates either low output or high discipline. The task can best be accomplished in summary form with a few generalizations about the state of manpower policy and a brief evaluation of specific programs. References are given for data and details.

## A. THE NATURE OF FEDERAL MANPOWER POLICY

1. There is no Federal manpower policy in the dictionary sense: "a definite course of action selected from among alternatives, and in light of given conditions, to guide and determine present and future decisions." However, there are programs and practices which can be analyzed in aggregate and from which policy emphasis can be extracted.

2. Legislation in the 1950's such as the National Defense Education Act and practices of agencies such as the Atomic Energy Commission emphasized manpower as an economic resource, with particular concern for the development of scientific and technical manpower. Spending for such purposes increased during the 1960's and now totals over $5 billion annually. However, the focus of public manpower efforts during the 1960's shifted in another direction.

3. The thrust of the manpower programs of the past 5 years has been to aid those who face various disadvantages in competing for jobs. This emphasis is attested to more by legislative and administrative efforts and public discussion than by expenditures of less than $2 billion per year.

## B. OVERALL CRITIQUE OF FEDERAL MANPOWER POLICY

1. The relevant manpower programs which emphasize in varying degrees services for the competitively disadvantaged are the Manpower Development and Training Act, the Vocational Education Act of 1963, the vocational rehabilitation program, and the several manpower components of the Economic Opportunity Act. The EOA programs are not evaluated in this paper since they are considered in Sar Levitan's contribution. However, they do figure in these generalizations about the state of manpower policy. In addition, the U.S. Employment Service is included, not as a program but as a major deliverer of services.

2. This array of programs did not emerge as part of any systematic effort to identify and provide each of the services needed by various disadvantaged groups or by all the disadvantaged. Instead individual

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*Paper delivered to Industrial Relations Research Association, [illegible] 28, 1967.

acts were written, considered, and amended in rapid succession to meet current crises, real or imagined, with little attention to their interrelations. Though overall objectives are reasonably clear, the objectives of some of the individual programs are not.[1]

3. The resources and enrollments in all of these programs are too small relative to the size of the labor force and the magnitude of needs to have had an appreciable impact on the problems they were intended to "solve." Remedial programs for the disadvantaged currently enroll an average of only 300,000 people at any point in time—this in an economy where in prosperous 1966, 2.5 million persons were unemployed 15 weeks or more, 850,000 were unemployed over half the year, 1.3 million looked for but did not find any work, 1.3 million males 25 to 64 years of age did not seek work and more than 5 million persons worked for less than the Federal minimum wage.

4. The 1961–67 period is most appropriately viewed as an experimental one during which many things were tried with varying degrees of success and failure. A positive contribution of these efforts was the identification of a number of services which have proven useful in lowering the obstacles to employment and retention of the disadvantaged. A few of these are:

(*a*) Outreach to seek the discouraged and undermotivated and encourage them to partake of available services;

(*b*) Adult basic education, to remedy the lack of obsolescence of earlier schooling and prevocational orientation to expose those with limited experience to alternative occupational choices;

(*c*) Training for entry level skills, for those unprepared to profit from the normally more advanced training which assumes mastery of rudimentary education;

(*d*) Training allowances, to provide support and an incentive for those undergoing training and residential facilities for youth whose home environment precludes successful rehabilitation;

(*e*) Work experience, for those accustomed to the discipline of the work place;

(*f*) Job development, efforts to solicit job opportunities suited to the abilities of the disadvantaged job seeker;

(*g*) Relocation and transportation assistance to bring the workers to where the jobs are;

(*h*) Subsidization of private employment of the disadvantaged;

(*i*) Job coaching to work out supervisor-worker adjustments after a job is found; and

(*j*) Creation of public service jobs tailored to the needs of job seekers not absorbed in the competitive market.

5. Essential as these services are, they are available through no one program, agency, or labor market institution. The various programs are limited in the services they can offer. The budgetary commitments for the various services are not rationally related to need. For instance, there are currently more slots for work relief than for training when training should probably stand above work relief in the hierarchy of remedial services.

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[1] Sar A. Levitan and Garth L. Mangum, "Making Sense of Federal Manpower Policy," Policy Papers in Human Resources and Industrial Relations, No. 2, Institute of Labor and Industrial Relations, the University of Michigan, Wayne State University, 1967.

6. The administrative capability to deliver these services has yet to be developed. At the local level, there is no single agency or combination of easily accessible institutions where those seeking help can find it. Neither has any community the resources to provide some type of service to all who need it. A multiplicity of Federal funding sources encourages interagency competition at the Federal level and a proliferation at the local level placing a premium on "grantsmanship." Coordination has been tried with little success and consolidation of programs has been limited. Existing agencies have changed their orientation and biases but slowly and only under considerable outside pressure.

New agencies have yet to learn effective practices. Surprisingly little has been done, considering the number of programs and the level of expenditures, to deevlop or train capable staffs at any level of government.

The currently approved model for delivering comprehensive manpower services is the concentrated employment program (CEP). It attempts to concentrate and integrate the efforts of existing programs on behalf of target populations. It appears to have two premises: (1) the complex of programs and agencies can be integrated and focused through a single local institution; (2) while sufficient resources can not be marshalled for a measurable national impact, concentration of both financial resources and administrative capability on narrowly defined targets may make an appreciable difference in a limited number of big city slums and rural depressed areas. The brief CEP experience argues for both technical assistance for planning and management capability and augmented resources to avoid becoming one more link in a chain of unfulfilled promises.

7. Administration officials and Members of Congress have been too impatient to await the results of new and existing programs and to allow for restructuring, removal of negative elements, and finally their expansion into effective programs. As a result, there has been an excessive resort to gimmicks and to attempts to devise "instant policies for instant success." The procedure has become a familiar one. New approaches are designed intuitively rather than empirically. They are launched with public relations fanfare, complete with numerical goals and early target dates. Manipulation of numbers to "prove" success then becomes a major staff function until a quiet burial of the goals and targets can be devised. The favored gimmicks of the moment are the CEP approach and private enterprise involvement. Both have promise as part of the manpower policy arsenal of weapons but the experiences of neither to date has earned the warmth with which they are being embraced.

8. For no program are there adequate valid data for evaluation of strengths and weaknesses and no program currently has a reporting system capable of producing such data. Data on the characteristics of enrollees are adequate in some but not all programs. Data on services provided are weak and followup data on program results are grossly inadequate and undependable. Ad hoc internal evaluations have been made of several programs, either in-house or by contract, but for the most part, their coverage is limited, their data weak and their investigations not probing.

9. Nevertheless, one concludes from observation, available data and piecing together other fragmentary evidence that some programs are at least moderately successful and merit expansion. None is a clearly proven failure, though in several cases the funds could have been better spent elsewhere. Through this necessary experimental process many lessons have been learned, needs probed and useful services identified. Congress has demonstrated a willingness to change and adapt programs in light of administrative experience. Expansion of programs has been slower than anticipated but less because of congressional reluctance than absence of aggressive administration requests.

## C. PROGRAM EVALUATION

### *1. MDTA*[2]

MDTA's original objective was to retrain experienced adult family heads displaced by economic and technological change. As labor markets have tightened, its emphasis has shifted to the disadvantaged. MDTA consists of two distinct components—institutional and on-the-job training (OJT)—which are best evaluated separately.

(*a*) The institutional training program has built-in "creaming" tendencies since its enrollees are primarily those who have sought help from an Employment Service office. Nevertheless, MDTA institutional training is increasing its proportionate enrollment of the non-white, the young, the public assistance recipient, the handicapped and those with 9 to 11 years of education. It has yet to make significant progress in serving those with 8 years of schooling or less and persons over 44 years of age. Over half the institutional enrollees are apparently drawn from families with annual incomes of less than $3,000 per year. The institutional training program probably "creams" within each disadvantaged category. However, the 70 to 80 MDTA skill centers clearly reach a more disadvantaged clientele than other MDTA projects and are probably reaching as deeply as any program except perhaps the Job Corps.

(*b*) The OJT program has never served appreciable numbers of disadvantaged and its record has been worsening in all categories. This may in part be due to recent pressures to expand it to one-half of the total MDTA enrollment, primarily to get more enrollees within the same fixed budget. Enrollment means employment and employers are quality conscious. The Federal administrators of the program in the Bureau of Apprenticeship and Training are experienced at promoting apprenticeship but accustomed to leaving recruitment and selection to employers and unions. To augment the limited BAT staff, OJT slots have been contracted to trade associations who subcontract the training to their members or to community action agencies, unions, and civil rights organizations who subcontract, usually with smaller employers. The trade associations have a quality bias and the community contractors, while they have the right prejudices, lack experience and competence.

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[2] For detailed evaluation of the Manpower Development and Training program see Garth L. Mangum, "Contributions and Costs of Manpower Development and Training," Policy Papers in Human Resources and Industrial Relations, No. 5, Institute of Labor and Industrial Relations, The University of Michigan, Wayne State University, 1967. The MDTA reporting system is set up to produce adequate data on trainee characteristics, training occupations, completions and employment experiences of the first posttraining year. However, serious underreporting makes the latter of doubtful validity and makes State-by-State analyses shaky. The OJT reporting is particularly bad. The reporting system is especially poor on costs and the nature of the training given. A mass of data is poured into the computers but there have not been the staff resources and top level interest to see that it was retrieved and analyzed for managerial and evaluative purposes. Nevertheless, more information is available than for other programs.

(*c*) Overall, the MDT program has a favorable cost-benefit experience. The completers have more stable employment and higher earnings after training when compared with their own pretraining experience and with control groups. Disadvantaged institutional completers still have a more difficult time finding jobs than other completers but have better experience than in the absence of training. The disadvantaged have a difficult time getting into OJT but once in have retention rates not significantly different from those of the nondisadvantaged.

In addition to its contributions to its enrollees, MDTA has had a positive influence on the Employment Service, on vocational education, and to a small degree, on apprenticeship. There are continuing issues of priority between serving the disadvantaged and nondisadvantaged, the relative effectiveness of institutional and on-the-job training and the appropriate Federal, State, and local administrative roles. None of these threaten the overall value of the program, however.

Enrichment of the program's services has been authorized from time to time but without commensurate increases in budget. Thus the choice has been between richer offerings for fewer and a leaner program for more. The program could be doubled in size within the limits of current administrative and training capabilities. Skill centers are currently operating at less than half capacity. Doubling the MDTA budget with emphasis on expanding the skill center concept and directing OJT more clearly toward the disadvantaged should be a legislative priority in 1968.

### 2. *Vocational education*[3]

The Vocational Education Act of 1963 was the first major reorientation of federally supported vocational education since its beginning in 1917. Most importantly, it directed a shift in objectives from training for occupational categories to serving the training needs of people. It stressed serving those with academic and socio-economic handicaps who could not profit from the regular programs. Federal funds, which are matched equally by the State, were expanded from approximately $50 million to $280 million per year over a 3-year period (and Congress actually appropriated the funds). Construction of "area" vocational schools (those serving a broader area than a single high school), more teacher education and better vocational guidance were encouraged. Closer alliance with the Employment Service was directed in order to relate training more directly to the labor market. Money was also authorized for research and innovative programs.

Some progress has been made, but largely, it would seem, for lack of Federal leadership, a promising act has not had a substantial impact upon the status and content of vocational education. The relative emphasis on agriculture and home economics has declined (though their absolute enrollment has increased), new schools have been built, significant research has been undertaken for the first time, and relationships with the Employment Service in determining job market needs have been improved. About one of each four high school students now enrolls in a federally supported vocational program but 3 of 5 are still in home economics and agriculture. Another 1 in 6 are in office occupations which were added to the list of federally supported courses by the 1963 Act. Four-fifths of the reported increase in enrollments since 1964 is accounted for by the addition of office occupations and may not reflect an actual increase in enrollments. Postsecondary and adult courses reach 4 percent of the labor force.

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[3] See vol. I, "Education for Employment," of forthcoming report of the Vocational Education Advisory Council. The vocational education reporting system is abysmal. Its only real concern has been to see that the States match every Federal dollar and that the dollars are spent within the occupational categories prescribed by the Smith-Hughes and George Barden Acts. There is practically no information on student characteristics, training contents and results. The Advisory Council on Vocational Education has been hard put to find any data base for its current evaluation of the results of the 1963 act.

Nothing more than pious hope was provided to encourage the desired shift from an occupational grouping to a people-serving orientation. There has been little meaningful innovation under the act and a great reluctance to adopt proven experiments demonstrated on projects financed by foundations, OEO, and MDTA funds. Training occupations still reflect more the 1917 categories than current labor market needs. Offerings for those with special needs account for less than 1 percent of total expenditures. Programs in rural schools and urban slums are limited and poor—just where they are needed most. This generally dismal picture is relieved by some real bright spots but in general change has been slow and minor.

### *3. Vocational rehabilitation*[4]

The vocational rehabilitation program each year results in the placement in competitive employment of more disadvantaged persons than MDTA or any of the EOA programs and at lower average costs. However, its clientele have physical and mental handicaps rather than economic or cultural ones and surprisingly little training occurs. The Federal agency claims a 35 to 1 ratio of benefits to costs which can be deflated, using their data, to 12 to 1. However, the program is of undoubted worth. Its particular value is an individualized comprehensive services approach involving a close counselor-client relationship. A rehabilitation plan is mutually developed for each individual and the counselor, in effect, has a blank checkbook to purchase whatever services are needed.

There is some debate among vocational rehabilitation personnel between those who favor physical restoration to eliminate handicaps and those who emphasize training and other services to make employment possible despite existing handicaps. In addition to the basic services, there is an extensive research program, encouragement for innovation and a program of grants to universities and individuals for preservice and in-service training of rehabilitation personnel. The program has favorable congressional support and expands about as rapidly as the states are willing to meet their 25 percent matching requirement.

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[4] See Garth L. Mangum and Lowell M. Glenn, "Vocational Rehabilitation and Federal Manpower Policy," Policy Papers in Human Resources and Industrial Relations, No. 4. Institute of Labor and Industrial Relations, the UNniversity of Michigan, Wayne State University, 1967. The vocational rehabilitation reporting system is reasonably adequate for managing a rehabilitation program but there is no followup information to allow realistic assessment of program results beyond immediate employment. Data are currently inadequate to assess the demographic, economic, and cultural characteristics of the clients but the Federal agency is now collecting data on an individual client basis and will soon have data processing capability which should improve the situation.

### 4. *The U.S. Employment Service* [5]

The manpower legislation of the past 5 years has had a substantial impact upon the Employment Service, so much so that the agency is quite different from the Employment Service of 1962. No longer is it restricted to referring qualified workers in response to employer job orders. Through referral to MDTA, Job Corps, and Neighborhood Youth Corps, involvement with vocational educators and community action agencies, and its own youth opportunity centers and human resources development program, the Employment Service can search out those in need of its services, enhance their employability and even provide public employment.

The Employment Service is very much in transition. By and large, its involvement with the disadvantaged has been under pressure from the national office and in response to competition from community action agencies. Its role and objectives are in a state of confusion. The Department of Labor has become a more aggressive partner in the Federal-State system. It has continually added new programs and responsibilities to the Employment Service without commensurate increase in staff and budgets. It has then failed to set priorities among the assignments, all of which cannot be fulfilled adequately and equally with available resources. There is also evidence of failure to seek and achieve concensus before major policy changes. As a result, State and local officials do not share the degree of commitment to many responsibilities exhibited by those in Washington.

Four policy objectives appear to coexist, each reflecting stages in the agency's development. Many State employment security directors and businessmen still see the agency's primary function to be providing a work test for the payment of unemployment compensation. Most local employment service managers probably see their agency as an employer-serving labor exchange. The more progressive aspire to the position of Community Manpower Center, serving all occpuational groups and community institutions. Current Federal emphasis is on serving the disadvantaged. Mutually exclusive elements in these objectives are apparent. "Image" with employers probably suffers in direct relation to antipoverty involvement.

Problems of salaries and training remain significant barriers to attracting and retaining competent professional personnel. As long as ES and UI are together in the Federal and State bureaus, the Employment Service will remian at the fourth tier in the pecking order of authority and prestige in the Labor Department and a similar position in State governments.

The time is imminent when the USES budget will have exhausted the revenue potential of its Social Security Act title III basic funding source. At that time, the issues involved in the ES–UI attachment will have to be faced and the decision will have to be made to switch partially or completely to general Treasury funding.

The Employment Service with its ubiquitous local offices is inevitably the "front line" arm of most manpower programs. It has been pressured by events into broadening its activities in behalf of many it previously could not or did not serve. It has cherished ambition to reach upward to others who have not previously sought its services. Without clear objectives it has no measure to evaluate or be evaluated by its own performance.

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[5] The Employment Service has detailed data on how many transactions occur but none on who is served, how well and what the results are. A forthcoming report by Garth L. Mangum and Arnold L. Nemore, "Reorientation in the Federal-State Employment Service," will provide some data and more extensive analysis.

### D. SUMMARY

*1. Accomplishments*

Needed services have been provided, needy persons have been served and useful lessons have been learned.

The base has been established for a coherent program of remedial services to the competitively disadvantaged.

*2. Limitations*

The administrative capability has yet to be developed for efficient delivery of services.

The resources committed are grossly inadequate relative to need.

Solution to the first limitation would greatly increase the chances of solving the second.

# ADMINISTERING FEDERAL MANPOWER PROGRAMS*

(By R. Thayne Robson)

The new manpower programs of the 1960's, such as MDTA; Neighborhood Youth Corps, Job Corps, and other poverty-oriented manpower programs, and the expanded and reoriented vocational rehabilitation, vocational education, and Federal-State Employment Service, collectively, rank alongside civil rights legislation and education legislation as the great legislative accomplishments of the past decade. For the most part, these programs are gaining a well deserved public acceptance, because they are directed in a realistic fashion at one of the most important domestic problems of our time.

The Federal manpower programs designed to help the disadvantaged obtain training, work experience and ultimately jobs were not designed with administrative efficiency in mind. Individual programs have developed in a piecemeal fashion without serious consideration of the relationship of any one program to the whole. Responsibility for administering manpower programs rests with a half-dozen agencies at the Federal level and an even greater number at the local level.

An overall assessment of the strengths and weaknesses of manpower program administration is not possible. Anyone attempting to determine whether the administration has been "good" or "bad" is open to the question: Compared to what? Money is being spent, and there has been a lot of action. When these efforts are compared to the slowly evolving administrative arts in business and government whenever new ventures are undertaken, we might well conclude that on-balance things have gone rather smoothly.

Justification for such a conclusion is not the prime goal of this paper. Rather, our limited objective is to explore, briefly, some of the major administrative problems which probably hamper the success achieved by present manpower programs, and, second, to review some recent efforts at improving the administrative processes.

There appears to be a pronounced tendency for the Congress and most program administrators to underestimate the great distances between good statutory program ideas and successful and efficient programs achieving the desired results at the grassroots. Whose responsibility is it to take the basic statutory provisions and convert them into a well-developed and smoothly functioning and successful program? Some federal agencies merely parcel out money to State and local governments and leave the real tough and practical problems to each State or locality as it struggles to build effective programs. Other Federal agencies presently take more active roles in providing guidance and leadership in matters of program detail; i.e., people to be enrolled, the quality and quantity of services to be provided, etc. No Federal agency is presently staffed and prepared to provide the range of technical services and guidance which local project managers need and would welcome.

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*Paper delivered to the Industrial Relations Research Association, Dec. 28, 1967.

There is an increasing amount of discussion on administrative problems largely growing out of the realization that present programs operating at present scales will not solve the problems of the disadvantaged. When resources are scarce one can predict an increasing concern for effective administration in order to get maximum results from existing resources.

### SOME IMPORTANT PROBLEMS

There are several major problems which seem to render effective administration difficult at best. Our discussion here must be restricted to a brief summary of major problems:

1. Probably the most serious problem is the severely limited knowledge on precisely how much of what kinds of manpower service is needed by a person with given handicaps to achieve success in the labor market. At present, programs operate mainly in terms of possible services with no guidelines on how much of each service is required to accomplish the goal. There appears to be fairly general agreement on the possible range of services that might be required by individuals with given characteristics, but there is relatively little agreement or even open speculation about the proper mix or sequence for each service. Program amendments have provided new kinds of service on the basis of an assumed need with no guidelines on the relative importance of each. The manpower services are generally identified as including recruitment, counseling, testing, basic education, prevocational training, occupational training, work experience, supportive services such as minor medical treatment, transportation assistance, coaching, and day care, and with appropriate job development and follow-up evaluation at the end. Designing successful programs is dependent upon knowing what the probable tradeoffs are among the alternative combinations of manpower services.

2. A second major problem closely related to the above concerns standards against which the quality of any selected service can be judged. How can a project director assess the quality of the counseling being given, the problems inherent in testing, the adequacy of a remedial education program, or the usefulness of assigning "coaches" to reinforce the client at every step in the program? To raise this question is not to suggest that definitive standards will likely be forthcoming in the near future. But experience thus far has undoubtedly provided a body of experience that has not been adequately evaluated or widely reported. One of the major responsibilities of program administrators is to learn from and to build on experience. One gains the impression that the evaluation of the highly successful program efforts has been directed to proving success with too little attention given on how each component was structured and managed to obtain success.

3. A third problem concerns the lack of agreement on how best to deliver the services to those who need them. Who can be counted on to do the best job—the public or private schools, private employers, the employment service, community action, welfare departments, nonprofit organizations run by people with similar ethnic backgrounds to the enrollees, etc.? All of these delivery systems have been tried to varying degrees. One virtue of the administration to date has been

the willingness to take risks and experiment with new approaches. It may be that this practice has been carried too far, introducing uncertainty and threats that were not needed. There has been a tendency to shift from one system to another to avoid criticism or simply to take advantage of a new fad. The present trend seems to be toward shifting greater responsibility to private industry on the assumption that by buying training from a private employer it is also possible to buy a job. This assumption is not supported by any appreciable amount of evidence. In considering possible delivery systems over the past few years, there has been a somewhat spirited discussion on the relative importance of initiative and rapport as contrasted with the need for professional skills. It might well turn out that any of the possible delivery systems could have worked adequately, if given sufficient time and support. The shifting among possible systems may have served to keep critics somewhat off balance, thereby preserving both time and resources.

4. Closely allied with the delivery system problem is the problem of funding. With uncertainty about program content, and delivery systems, it follows that Federal funding policies are almost assuredly going to be unclear, uncertain, and to impose unrealistic time limits on the development and operation of programs. The amounts of money available to any State or locality are governed by an imponderable number of variables ranging from estimates of need to community capability. There are few reliable standards to assess community need or capability. The latter is sometimes defined as the ability to stimulate multiple organizational efforts in drafting good proposals supported by influential Congressmen or Senators able and willing to promote local demands for Federal funds. There is no carefully worked out analysis of Federal expenditures for manpower programs on a per capita basis in each of the States and cities of the country. Indeed, no one knows precisely how many programs are operating in any of the large metropolitan areas. Requests for inventories showing amounts of money, funded slots, and, more importantly, the extent of utilization, have yielded contradictory and confusing reports.

One serious funding problem concerns the time allowed for planning and for program operation. Most programs are limited to 1 year's funding. This fact makes it very difficult to recruit staff and develop facilities that may go unfunded after the year ends. Even where intentions to refund are clearly given, the uncertainty resulting from the failure of Congress to take action on budget matters until the fiscal year is nearly half over introduces an uncertainty that weakens programs and demoralizes program staff. When new programs are initiated, funding considerations require that proposals be hastily drawn and funded without adequate analysis, and that programs begin operation without adequate preparation. There has been a serious failure to recognize that it takes time to successfully design, staff, and initiate new programs. Communities who do not meet the almost impossible time constraints are likely to lose out on funding during the next year.

5. Another problem, less serious today than a year ago, results from the fact that programs are spread among a number of Federal agencies, each operating with a good deal of independence and autonomy. As a result, it is difficult, if not impossible, for any one program to base its plans on the likely actions of other programs. The recent

trend toward consolidating the administration of manpower programs in the Manpower Administration of the U.S. Department of Labor, and the initiation of the nationwide comprehensive area manpower planning system, if fully supported by financial incentives and adequate staff, will reduce the significance of this problem substantially.

The trend toward consolidation of manpower activities in the Manpower Administration of the U.S. Department of Labor has brought into serious question the internal organization and capability of that agency. Awareness of these problems is resulting in substantial internal reorganization which cannot be evaluated at this time.

6. Probably more important than the diffusion of administrative authority at the Federal level, is the multiplicity of manpower agencies at the State and local level. The problem is more serious at the local level, because there is no common authority outside the Federal decision to fund or not to fund that can bring effective coordination. The major local agencies are the public schools, the State employment service, the State vocational rehabilitation agency, the county welfare department, and the community action agency. Add to this the city, county, and State governmental officials and the assorted private organizations that have been given Federal funds to undertake manpower programs. The creation of a large number of private organizations endowed with public funds to run manpower programs may ultimately cause some of the most serious administrative problems at the local level. Organizations such as the Urban League, the OIC's, the Operation SER, are all laudable in terms of willingness to serve minority groups which public agencies have neglected. But it is difficult to see how the activities of public and private groups can be integrated into a well organized, comprehensive community manpower program. It might well prove more difficult to make objective decisions on funding where private groups are involved, especially in developing strategies over the next decade or so. For the multiple agencies at the State and local level, there is no common authority to which they all report for direction. It is hard to imagine the creation of an effective mediator among these agencies outside of a rather substantial Federal involvement at the local level. Some Federal agencies seem disposed to undertake this responsibility, while others shy away almost completely. At some point the Congress should explicitly recognize this need and support it with adequate funds for staff.

7. One of the most difficult problems to place in proper perspective concerns the administrative responsibility to develop more fully the legislated programs through the development of adequate policies and procedures to govern the conduct of the programs. Because of time pressures, inadequate staff, and the disposition to wage the battle for new programs, too little attention has been devoted to developing policies and procedures that develop programs to a workable state. Some Federal agencies mistakenly leave these matters almost exclusively to local decision. Agencies which do try to develop meaningful policies do so in a piecemeal fashion to meet the emergency situation with almost no continuing and sophisticated effort to prepare policy manuals and program guides that are reasonably complete and internally consistent. This adds up to a general lack of interest and neglect in atten-

tion to administrative duties and details. Policies are loosely formulated and exceptions are freely granted until the policy is almost nondiscernible. Anyone desiring to make a thorough and careful study of administrative policies and procedures governing Federal manpower programs could not locate all the pieces of paper on which these matters are recorded. Should they be located, considerable difficulty would be encountered in obtaining any widespread agreement on the meaning of various policy directives. One of the most useful activities which the Federal Government could undertake in the manpower area would be to assign to someone the task of analyzing and codifying all the policies and procedures relating to the present manpower programs. Possibly the Congress will initiate such an activity in the near future.

8. A very great problem that undoubtedly ranks high in any consideration of administrative problems is due to the failure of the Congress to provide adequate numbers of staff to administer effectively the new manpower programs. Even with the staff available, the problem of finding able people to administer programs has been a theme which Cabinet members have repeated in public speeches and testimony before Congress. It is interesting to note in this connection that there is almost no staff training underway to increase the capability of the existing staff. The Employment Service has been the notable exception by undertaking a considerable amount of training, although it has been on a somewhat sporadic basis. At some point in time, both the Congress and the Federal administrators must recognize that efficient administration calls for larger numbers of better trained people than are now available. This is a serious problem at the Federal level, and it is an absolutely critical problem at the local community level. It is essential for administrators to identify the skills and talents needed for the successful administration of manpower programs and to train people at the Federal and local level who can get the job done. The failure to do this means that proposals will continue to be funded without adequate study and evaluation, and that very little monitoring and followup will be undertaken to assess the results of the program.

9. With inadequate policies and procedures and staff it follows that Federal agencies are not now able to provide the technical assistance needed and desired by local project directors. The Federal initiative in creating programs and in providing money should have been followed up with a stronger initiative in providing technical assistance to local communities in developing organizational capability to run successful manpower programs. No Federal agency is now equipped to provide adequate technical assistance, and there is little evidence that the situation will improve in the near term. The technical assistance required at the local level varies considerably from one situation to another. It often starts with such administrative fundamentals as: Developing the organizational framework to run a program complete with suggested staffing patterns, recordkeeping systems, property acquisition and management, and obtaining and renovating facilities. Beyond these managerial tasks come the problems of program content such as counseling and testing techniques, curriculum materials used in training, techniques useful in job development, etc. When local communities need help, they often turn to each other with uncertain

results. Progress is occurring and "best practice" is being communicated slowly throughout the country. Even so, an aggressive and well-staffed technical assistance programs spearheaded by the Federal agencies could greatly improve the result of present efforts.

10. While scholars lament the lack of adequate data to assess the success of Federal manpower programs, the present systems do not meet the needs of program administrators. There is no adequate information system reporting on the characteristics of people being served, on the characteristics of the service being given, and on the results achieved from the variety of manpower services. The needs of local project managers and Federal administrators even surpass the needs of university scholars, if such a thing can be imagined. It should be admitted that the problems encountered in developing an adequate system which provides reliable information at the right time and place are infinitely difficult. A great many efforts undertaken thus far by various Federal agencies never seem to go quite far enough. They bog down in desires to develop computerized job matching systems and in the unwillingness to assign a sufficiently high priority to this activity. The U.S. Employment Service through a pilot program in three States, and two or three of the community action agencies may yet come forward with reasonable solutions to this problem.

11. The last major problem to be treated here concerns the basic attitudes of State and local agencies to the new and expanded Federal manpower programs. Effective program administration is seriously hampered by an unwillingness to change old methods, and by the failure to recognize that local problems are extremely serious and in many instances getting worse. These attitudes present Federal administrators with impossible choices. What should the Federal Government do about the unwillingness of a local school system to effectively use Federal manpower funds? The alternative is to develop a competing agency. The negative reactions of a few State employment service agencies can seriously restrict the contribution which the entire Federal-State system can make throughout the country, thereby partially negating the very appreciable progress that has been achieved by most States in recent years. Community action agencies bent on developing a total bureaucracy of, by, and for the poor seriously restrict the potential of manpower programs at the local community level by providing an unacceptable threat to existing agencies. While we lament the multiplicity of agencies involved at the local level, still there are no specified combinations of agencies that can be counted on to produce successful programs over the entire country. A great challenge in the administration of manpower programs consists in being able to build effective capability at the local level by drawing flexibly on the varying degrees of interest and capability found among local agencies. With each passing year, it is becoming more and more respectable to participate in manpower programs aimed at helping the seriously disadvantaged. But pressing problems will not wait until the moribund come back to life.

## SOME RECENT CONSTRUCTIVE DEVELOPMENTS

It would be a serious omission to overlook some of the constructive steps taken by the Federal Government to improve program administration during the past year. These efforts, while extremely important, have not solved completely any of the problems outlined above. The four actions, to be briefly treated here, are (1) the trend toward consolidating manpower program administration in the Manpower Administration of the U.S. Department of Labor, (2) the development of the concentrated employment program, (3) the initiation of the comprehensive area manpower planning system, and finally (4) the human resources development programs of the U.S. Employment Service.

Beginning with the delegation of the Neighborhood Youth Corps to the Department of Labor for administrative purposes in 1964, there has been a noticeable trend toward the consolidation of manpower programs in a single agency. All the manpower programs under the Economic Opportunity Act were delegated in 1967, except for the title V program and the Job Corps. The phasing out of the title V program run by the Welfare Administration led to the development of the new or expanded work and training program under title IV of the Social Security Act. The disagreement between the Senate and the House of Representatives over who should administer the program was wisely resolved by assigning the program to the Department of Labor. Others have noted that the trend toward consolidation is not so much based on the outstanding job accomplished by the Manpower Administration in the Department of Labor as it is on the failure of other agencies in operating manpower programs. Part of the interest in increasing the Department of Labor's role may be due to the fact that the Department had a head start with MDTA, partly due to the popularity of the Neighborhood Youth Corps—the simplest of all programs to administer, and partly due to the aggressive and strong interest shown by the Department of Labor in expanding its manpower programs. To some degree this interest was no doubt based on the recognition that Federal funding sources would inevitably need to be consolidated.

The consolidation of programs in the Manpower Administration of the Department of Labor provides an almost staggering challenge to the administrative capability of that Department. It may be that the concentrated employment program will provide the delivery system that will assist the Labor Department in achieving a reasonable degree of success in taking on these broader responsibilities. The CEP program, however, does not, by itself, provide solutions to the problems discussed above.

The concentrated employment program is not a new legislative program. Instead, it is an attempt to weld together in a single contract or program the capability of all manpower authority given to the Department of Labor, and to concentrate that program capability in the slum neighborhoods of mostly urban, but also a few rural, areas. The major administrative innovations of this program are to assign to the local community action agency the basic sponsorship of a sizable manpower program. Sponsorship means the planning of the project, the drafting of the proposals, possible operation of substantial parts of the program, and a strong coordination function. These functions are, however, to be performed in serving as a catalyst in bringing together the total community. CEP also designates the State employment service as the prime provider of manpower services, including recruitment, counseling, testing, referral to training, work experience or services, and finally, job development and placement. This is one of the first attempts to define roles in any meaningful sense. The program attempts to rally the total capability within the community including the active involvement of the private sector. The program provides for the flexible selection of interest and capability at the local community level.

The initial accomplishments of the CEP program, now underway in 20 cities and two rural areas, are somewhat disappointing, but this may be due to the speed with which programs were undertaken. The logic of the delivery system is gaining wide acceptance. One possible danger is that this delivery system may be used too extensively at the expense of other systems, such as MDTA institutional training which is working extremely well in many cities.

The cooperative area manpower planning system (CAMPS) was initiated in March 1967, and was specifically designed to "promote further interagency coordination at all levels of administration responsibility. * * *" The basic idea calls for the formulation of manpower plans based upon needs and resources at the community, State, regional, and national levels. The program was initiated without funds for staff and without any appreciable incentives to reward good plans. The planning committees required at the local, State, and regional levels are serving to provide better information to all participants at the local level. Emphasis upon planning can hardly have other than a beneficial effect. The system, however, lacks a number of important ingredients, if it is to be effective. First, local communities must know in advance of the planning process what Federal resources are available. Second, staff must be provided to undertake the planning function. Third, there must be strong financial incentives to reward the successful planning; and, finally, the Federal Government must become a participant in the planning process at the local level.

The human resources development program, launched by the U.S. Employment Service in 1966, is unique, because it is the primary device used by the Employment Service to consolidate the gains of the youth opportunity centers to reorient the entire Federal-State system toward serving the needs of the disadvantaged. The purpose of the program is to shift the Employment Service from traditional functions of taking job orders and making referrals to providing manpower services on an individualized basis to those persons most in need of assistance. The internal reforms through programs such as HRD, and the potential competition from new poverty agencies have been successful in reorienting the Employment Service toward becoming an effective manpower agency serving the disadvantaged. It is unfortunate that the progress has not occurred in all States.

Other Federal programs, such as neighborhood centers, and the extensive planning processes in the model cities program could have beneficial effects for the administration of manpower programs in the years ahead, especially at the local level.

## SUMMARY AND CONCLUSIONS

While the Federal manpower programs launched in the 1960's provide the tools and commitment to make meaningful inroads on some of the most serious domestic problems of our day, there has been an insufficient attention to important administrative problems which restrict in a serious way the results achieved. The programs are right-fully gaining in popularity, and while they are not yet operating on a sufficient scale to reduce appreciably the total problem, they point the way to what can be accomplished. The time has come for the Federal Government to take more seriously its responsibilities to administer these programs effectively. Each of the administrative problems outlined above must be given serious attention. The goals and objectives of the programs need to be more clearly defined; alternate methods for achieving those goals need to be explored. The Federal Government must take a stronger initiative in administrative matters in developing adequate policies and procedures, and by providing technical assistance to local program operators.

Recent efforts at consolidating responsibility in the Department of Labor, in developing a flexible delivery system through CEP, and by emphasizing the contribution of planning can all make significant contributions to improved administration. But they are not substitutes for adequate administrative staff with the requisite training, or for information system that make it possible for administrators to factually know what is happening with the programs. It would be wrong to conclude that the money spent in manpower programs has been wasted. It would be equally wrong to argue against the need for improved administration and to ignore the payoff that better administration would bring.

# THE PRESIDENT'S PROPOSALS FOR FISCAL YEARS 1968-69

# EXCERPT FROM THE STATE OF THE UNION ADDRESS OF THE PRESIDENT OF THE UNITED STATES, JANUARY 17, 1968

* * * * * * *

The first essential is more jobs; useful jobs for tens of thousands who can become productive and can pay their own way.

Our economy has created seven and a half million new jobs in the past 4 years. It is adding more than a million and a half new jobs this year.

Through programs passed by the Congress, job training is being given tonight to more than a million Americans in this country.

This year, the time has come when we must get to those who are last in line—the hard-core unemployed—the hardest to reach.

Employment officials estimate that 500,000 of these persons are now unemployed in the major cities of America. Our objective is to place these 500,000 in private industry jobs within the next 3 years.

To do this, I propose a $2.1 billion manpower program in the coming fiscal year—a 25-percent increase over the current year. Most of this increase will be used to start a new partnership between government and private industry to train and to hire the hard-core unemployed persons. I know of no task before us of more importance to us and the country or to our future.

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# MANPOWER MESSAGE OF THE PRESIDENT—JANUARY 23, 1968—TO EARN A LIVING: THE RIGHT OF EVERY AMERICAN

*To the Congress of the United States:*

In this, my first message to the Congress following the State of the Union Address, I propose:

- —A $2.1 billion manpower program, the largest in the Nation's history, to help Americans who want to work get a job.
- —The Nation's first comprehensive Occupational Health and Safety Program, to protect the worker while he is on the job.

## THE QUESTION FOR OUR DAY

Twenty years ago, after a cycle of depression, recovery and war, America faced an historic question: Could we launch what President Truman called "a positive attack upon the ever-recurring problems of mass unemployment and ruinous depression"?

That was the goal of the Employment Act of 1946. The answer was a long time in forming. But today there is no longer any doubt.

We can see the answer in the record of seven years of unbroken prosperity.

We can see it in this picture of America today:

Seventy-five million of our people are working—in jobs that are better paying and more secure than ever before.

Seven and a half million new jobs have been created in the last four years, more than 5,000 every day. This year will see that number increased by more than 1½ million.

In that same period, the unemployment rate has dropped from 5.7 percent to 3.8 percent—the lowest in more than a decade.

The question for our day is this: in an economy capable of sustaining high employment, how can we assure every American, who is willing to work, the right to earn a living?

We have always paid lip service to that right.

But there are many Americans for whom the right has never been real:

- —The boy who becomes a man without developing the ability to earn a living.
- —The citizen who is barred from a job because of other men's prejudices.
- —The worker who loses his job to a machine, and is told he is too old for anything else.
- —The boy or girl from the slums whose summers are empty because there is nothing to do.
- —The man and the woman blocked from productive employment by barriers rooted in poverty: lack of health, lack of education, lack of training, lack of motivation.

Their idleness is a tragic waste both of the human spirit and of the economic resources of a great Nation.

It is a waste that an enlightened Nation should not tolerate.

It is a waste that a Nation concerned by disorders in its city streets *cannot* tolerate.

This Nation has already begun to attack that waste.

In the years that we have been building our unprecedented prosperity, we have also begun to build a network of manpower programs designed to meet and match individual needs with individual opportunities.

## OUR MANPOWER PROGRAM NETWORK

Until just a few years ago, our efforts consisted primarily of maintaining employment offices throughout the country and promoting apprenticeship training.

The Manpower Development and Training Act, passed in 1962, was designed to equip the worker with new skills when his old skills were outdistanced by technology. That program was greatly strengthened and expanded in 1963, 1965 and again in 1966 to serve the disadvantaged as well. In fiscal 1969, it will help over 275,000 citizens.

Our manpower network grew as the Nation launched its historic effort to conquer poverty:

—*The Job Corps* gives young people from the poorest families education and training they need to prepare for lives as productive and self-supporting citizens. In fiscal 1969 the Job Corps will help almost 100,000 children of the poor.

—*The Neighborhood Youth Corps* enables other poor youngsters to serve their community and themselves at the same time. Last year the Congress expanded the program to include adults as well. In fiscal 1969, the Neighborhood Youth Corps will help over 560,000 citizens.

—Others, such as *Work Experience*, *New Careers*, *Operation Mainstream*, and the *Work Incentive Program*, are directed toward the employment problems of poor adults. In fiscal 1969, 150,000 Americans will receive the benefits of training through these programs.

These are pioneering efforts. They all work in different ways. Some provide for training alone. Others combine training with work. Some are full-time. Others are part-time.

One way to measure the scope of these programs is to consider how many men and women have been helped:

—In fiscal 1963: 75,000

—In fiscal 1967: more than 1 million.

But the real meaning of these figures is found in the quiet accounts of lives that have been changed:

—In Oregon, a seasonal farm worker was struggling to sustain his eight children on $46 a week. Then he received on-the-job training as a welder. Now he can support his family on an income three times as high.

—In Pennsylvania, a truck driver lost his job because of a physical disability and had to go on welfare. He learned a new skill. Now he is self-reliant again, working as a clerk with a city Police Department.

—In Kansas, a high school dropout was salvaged from what might have been an empty life. He learned a trade with the Job Corps. Now he has a decent job with an aircraft company.

Across America, examples such as these attest to the purpose and the success of our programs to give a new start to men and women who have the will to work for a better life.

These are good programs. They are contributing to the strength of America. And they must continue.

But they must reach even further.

*I will ask the Congress to appropriate $2.1 billion for our manpower programs for fiscal 1969.*

—This is the largest such program in the Nation's history.

—It is a 25 percent increase over fiscal 1968.

—It will add $442 million to our manpower efforts.

In a vigorous, flourishing economy, this is a program for justice as well as for jobs.

These funds will enable us to continue and strengthen existing programs.

With this program, we can reach 1.3 million Americans, including those who have rarely if ever been reached before—the hard-core unemployed.

## THE CONCENTRATED EMPLOYMENT PROGRAM

Our past efforts, vital as they are, have not yet effectively reached the hard-core unemployed.

These hard-core are America's forgotten men and women. Many of them have not worked for a long time. Some have never worked at all. Some have held only odd jobs. Many have been so discouraged by life that they have lost their sense of purpose.

In the Depression days of the 1930's, jobless men lined the streets of our cities seeking work. But today, the jobless are often hard to find. They are the invisible poor of our Nation.

Last year I directed the Secretary of Labor to bring together in one unified effort all the various manpower and related programs which could help these people in the worst areas of some of our major cities and in the countryside.

The concentrated Employment Program was established for this purpose.

Its first task was to find the hard-core unemployed, to determine who they are, and where and how they live.

Now we have much of that information.

Five hundred thousand men and women who have never had jobs—or who face serious employment problems—are living in the slums of our 50 largest cities.

The first detailed profile we have ever had of these unemployed Americans reveals that substantial numbers—

—Lack adequate education and job training.

—Have other serious individual problems—such as physical handicaps—which impair their earning ability.

—Are Negroes, Mexican-Americans, Puerto Ricans, or Indians.

—Are teenagers, or men over 45.

As the unemployed were identified, the Concentrated Employment Program set up procedures for seeking them out, counseling them, providing them with health and education services, training them—all with the purpose of directing them into jobs or into the pipeline to employment.

*As part of the new manpower budget, I am recommending expansion of the Concentrated Employment Program.*

That program now serves 22 urban and rural areas. In a few months it will expand to 76. With the funds I am requesting, it can operate in 146.

## JOB OPPORTUNITIES IN THE PRIVATE SECTOR

The ultimate challenge posed by the hard-core unemployed is to prepare rejected men and women for productive employment—for dignity, independence and self-sufficiency.

In our thriving economy, where jobs in a rapidly growing private sector are widely available and the unemployment rate is low, the "make-work" programs of the 1930's are not the answer to today's problem.

The answer, I believe, is to train the hard-core unemployed for work in private industry:

—The jobs are there: six out of every seven working Americans are employed in the private sector.

—Government-supported on-the-job training is the most effective gateway to meaningful employment: nine out of every ten of those who have received such training have gone on to good jobs.

—Industry knows how to train people for the jobs on which its profits depend.

That is why, late last year, we stepped up the effort to find jobs in private industry. With the help of American businessmen, we launched a $40 million test training program in five of our larger cities.

The program was built around three basic principles:

—To engage private industry fully in the problems of the hard-core unemployed.

—To pay with Government funds the *extra* costs of training the disadvantaged for steady employment.

—To simplify government paperwork and make all government services easily and readily available to the employer.

## THE URGENT TASK

With that work, we prepared our blueprints. We have built the base for action.

Encouraged by our test program and by the progress that American industry has made in similar efforts, we should now move forward.

*To press the attack on the problem of the jobless in our cities, I propose that we launch the Job Opportunities in Business Sector (JOBS) Program—a new partnership between government and private industry to train and hire the hard-core unemployed.*

I propose that we devote $350 million to support this partnership—starting now with $106 million from funds available in our manpower programs for fiscal 1968, and increasing that amount to $244 million in fiscal 1969.

Our target is to put 100,000 men and women on the job by June 1969 and 500,000 by June 1971. To meet that target, we need prompt approval by the Congress of the request for funds for our manpower programs.

This is high priority business for America.

The future of our cities is deeply involved. And so is the strength of our Nation.

## How This New Program Will Work

Our objective, in partnership with the business community, is to restore the jobless to useful lives through productive work.

There can be no rigid formulas in this program. For it breaks new ground.

The situation calls, above all, for flexibility and cooperation.

Essentially, the partnership will work this way:

The government will identify and locate the unemployed.

The company will train them, and offer them jobs.

The company will bear the normal cost of training, as it would for any of its new employees.

But with the hard-core unemployed there will be extra costs.

These men will be less qualified than those the employer would normally hire. So additional training will often be necessary.

But even more than this will be needed. Some of these men and women will need transportation services. Many will have to be taught to read and write. They will have health problems to be corrected. They will have to be counseled on matters ranging from personal care to proficiency in work.

These are the kinds of extra costs that will be involved.

Where the company undertakes to provide these services, it is appropriate that the Government pay the extra costs as part of the national manpower program.

The Concentrated Employment Program, in many areas, will provide manpower services to support the businessman's effort.

## A National Alliance of Businessmen

This is a tall order for American business. But the history of American business is the history of triumph over challenge.

And the special talents of American business can make this program work.

*To launch this program, I have called on American industry to establish a National Alliance of Businessmen.*

The Alliance will be headed by Mr. Henry Ford II.

Fifteen of the Nation's top business leaders will serve on its Executive Board. Leading business executives from the Nation's 50 largest cities will spearhead the effort in their own communities.

This Alliance will be a working group, concerned not only with the policy but with the operation of the program.

It will:

—Help put 500,000 hard-core unemployed into productive business and industrial jobs in the next three years.

—Give advice to the Secretaries of Labor and Commerce on how this program can work most effectively, and how we can cut government "red tape."

The Alliance will also have another vital mission: to find productive jobs for 200,000 needy youths this summer—an experience that will lead them back to school in the fall, or on to other forms of education, training or permanent employment.

The Alliance will work closely in this venture with the Vice President. As Chairman of the President's Council on Youth Opportunity he will soon meet with the Alliance and with the Mayors of our 50 largest cities to advance this pressing work.

## THE REWARDS OF ACTION

The rewards of action await us at every level.

*To the individual*, a paycheck is a passport to self-respect and self-sufficiency.

*To the worker's family*, a paycheck offers the promise of a fuller and better life—in material advantages and in new educational opportunities.

*Our society as a whole* will benefit when welfare recipients become taxpayers, and new job holders increase the Nation's buying power.

These are dollars and cents advantages.

But there is no way to estimate the value of a decent job that replaces hostility and anger with hope and opportunity.

There is no way to estimate the respect of a boy or girl for his parent who has earned a place in our world.

There is no way to estimate the stirring of the American dream of learning, saving, and building a life of independence.

Finally, employment is one of the major weapons with which we will eventually conquer poverty in this country, and banish it forever from American life.

Our obligation is clear. We must intensify the work we have just begun. The new partnership I have proposed in this message will help reach that lost legion among us, and make them productive citizens.

It will not be easy.

But until the problem of joblessness is solved, these men and women will remain wasted Americans—each one a haunting reminder of our failure.

Each one of these waiting Americans represents a potential victory we have never been able to achieve in all the years of this Nation.

Until now.

## A STRENGTHENED MANPOWER ADMINISTRATION

The programs I have discussed are the visible evidence of a Nation's commitment to provide a job for every citizen who wants it, and who will work for it.

Less visible is the machinery—the planning, the management and administration—which turns these programs into action and carries them to the people who need them.

I recently directed the Secretary of Labor to strengthen and streamline the Manpower Administration—the instrument within the Federal Government which manages almost 80 percent of our manpower programs.

That effort is now close to completion.

But we must have top administrators now—both here in Washington and in the eight regions across the country in which these manpower programs will operate.

*As part of our new manpower budget, I am requesting the Congress to approve more than 600 new positions for the Manpower Administration. These will include 16 of the highest Civil Service grades.*

The central fact about all our manpower programs is that they are local in nature. The jobs and opportunities exist in the cities and communities of this country. That is where the people who need them live. That is where the industries are—and the classrooms, the day care centers, and the health clinics.

What is required is a system to link Federal efforts with the resources at the State and local levels.

We already have the framework, the Cooperative Area Manpower Planning System (CAMPS), which we started last year.

Now I propose that we establish it for the long term.

CAMPS will operate at every level—Federal, regional, State and local. At each level, it will pull together all the manpower services which bear on jobs.

But its greatest impact will be at the local level, where it will:

—Help the communities develop their own manpower blueprints;

—Survey job needs;

—Assure that all Federal programs to help the job seeker are available.

*As part of our manpower budget, I am requesting $11 million to fund the Cooperative Area Manpower Planning System in fiscal 1969.*

## CONCLUSION

When Walt Whitman heard America singing a century ago, he heard that sound in workers at their jobs.

That sound rings from thousands of factories and mills, work benches and assembly lines, stronger than ever before.

Jobs are the measure of how far we have come.

But it is right to measure a nation's efforts not only by what it has done, but by what remains to be done.

In this message, I have outlined a series of proposals dealing with the task ahead—to give reality to the right to earn a living.

These proposals deal with jobs.

But their reach is far broader.

The demand for more jobs is central to the expression of all our concerns and our aspirations—about cities, poverty, civil rights, and the improvement of men's lives.

I urge the Congress to give prompt and favorable consideration to the proposals in this message.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *January 23, 1968.*

## EXCERPT FROM 1969 BUDGET

***Labor and manpower.***—Programs for the training and employment of the disadvantaged have received very high priority in the 1969 budget. A substantial expansion in funds for these programs is requested. Particular emphasis will be placed on cooperation with private industry in the training programs and on the concentration of manpower activities in areas of substantial unemployment.

*Labor.*—The 1969 budget provides for a number of legislative proposals to improve the well-being of working Americans:

- A comprehensive occupational health and safety program for employees involved in intrastate or interstate commerce.
- Workmen's compensation benefits for uranium miners who develop lung cancer from radiation exposure.
- Greater protection of employees' interests through amendment of the Welfare and Pension Plans Disclosure Act.

In addition, legislation will be proposed to liberalize the trade adjustment assistance program, which authorizes aid to workers and businesses substantially affected by increased imports.

*Manpower.*—In addition to the Labor Department programs included in the "Labor and manpower" category' various training and work experience opportunities and other manpower services are financed through other civilian agencies—notably the Office of Economic Opportunity; the Department of Health, Education, and Welfare; the Veterans' Administration; and the Department of the Interior. Most of the funds for the manpower programs of these agencies are classified elsewhere in the budget. However, the major programs are discussed here to indicate the wide range of efforts being made to increase opportunities for all workers to contribute to and share in our economy and society.

New obligational authority of $2.1 billion is recommended in 1969 for Federal manpower programs of the Department of Labor and the other agencies mentioned above. This represents an increase of $442 million over the estimate for 1968. In addition to providing increased opportunities for training and work experience, improvements are planned in the organization, administration, and delivery of the various manpower services. New steps will also be taken to improve coordination of manpower activities through better State and local planning supported by area manpower surveys.

The benefits of the sustained growth of the American economy in recent years have not been fully shared by those who live in urban ghettos and rural backwaters. Many, due to inadequate education, lack of skills, poor health, discrimination, and the debilitating effect of their environment, are unable to participate successfully in the labor force without special assistance. The Federal manpower effort is aimed particularly at this group. Therefore, those receiving services under Federal manpower programs are typically poor and unemployed, members of a minority group, youths, older persons, inadequately educated, or handicapped.

The total manpower effort may be categorized as: (1) structured training, (2) general work experience, and (3) general manpower services and program support.

These categories of activities are shown in the following table:

MANPOWER PROGRAMS BY ACTIVITY

[Fiscal years; Dollars in millions]

| Category and program | New obligational authority | | |
|---|---|---|---|
| | 1967 actual | 1968 estimate | 1969 recommended |
| Structured training: | | | |
| On the job | $116 | $182 | $404 |
| Institutional | 238 | 246 | 310 |
| Job Corps | 209 | 285 | 295 |
| New careers | 36 | 28 | 36 |
| MDTA short-term training and support | 43 | 80 | 83 |
| Indian manpower activities | 17 | 21 | 25 |
| Subtotal | 659 | 842 | 1,153 |
| General work experience: | | | |
| Youth school and summer work | 207 | 149 | 209 |
| Community work experience | 302 | 226 | 212 |
| Subtotal | 509 | 375 | 422 |
| General manpower services and program support: | | | |
| Federal-State Employment Service [1] | 278 | 299 | 331 |
| Community action manpower support | 13 | 15 | 15 |
| Support to concentrated employment program | 25 | 55 | 82 |
| Special impact program | | 20 | 30 |
| Research, demonstration, and general support (Labor Department) | 39 | 39 | 43 |
| State and local manpower program planning | | | 11 |
| Subtotal [1] | 355 | 428 | 512 |
| Total [1] | 1,523 | 1,645 | 2,087 |

[1] Includes trust fund outlays of $275 million in 1967, $297 million in 1968, and $328 million in 1969.

Note: Most of these programs are not included in the "Labor and manpower" category in this function.

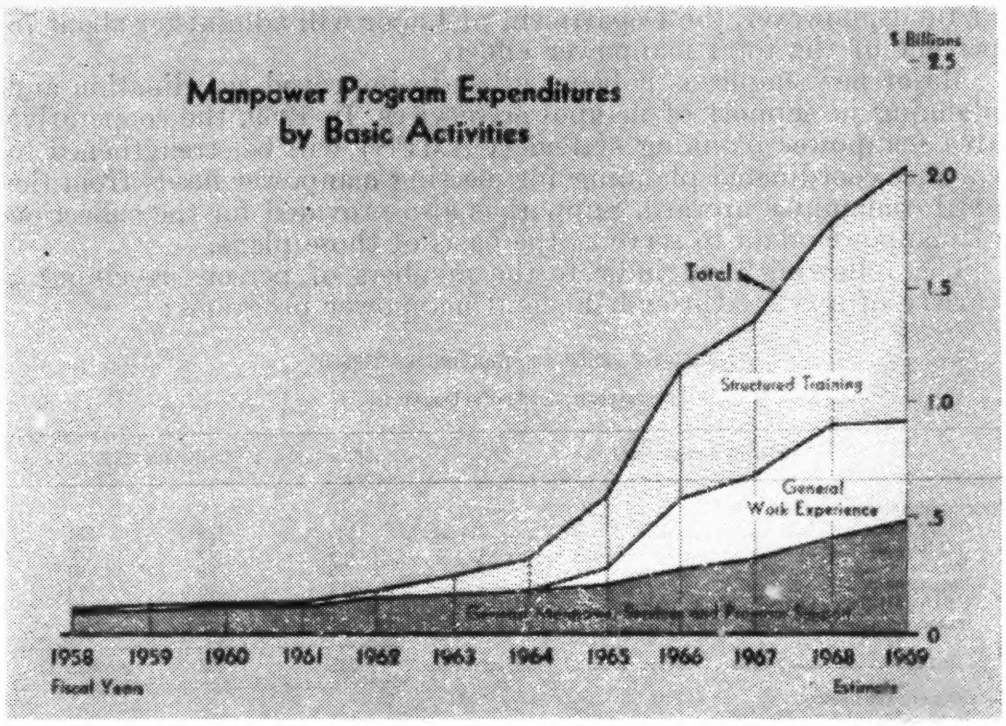
*Structured training.*—About 55 percent of the recommended new obligational authority for manpower programs in 1969 will be used to provide formal skill training, both on the job and in classrooms. New obligational authority for structured training will increase to $1.2 billion in 1969, $311 million over 1968. The greatest expansion is in programs which are primarily for on-the-job training in private industry.

Through the Manpower Development and Training Act (MDTA), the work incentive program for welfare recipients, veterans programs, and funds made available to the Department of Labor by the Office of Economic Opportunity, 281,000 individuals will be provided on-the-job training opportunities in 1969. An additional 13,000 persons will be provided opportunities for training and work experience leading to subprofessional employment through the new careers program.

Institutional training, the learning of job skills in a classroom setting, and basic education will be available to about 268,000 individuals through the MDTA, opportunities industrialization centers, the Job Corps, and the work incentive program.

In addition, part-time skill upgrading and short-term employability training under the MDTA will be available to 63,000 individuals. About 14,000 Indians will be trained, relocated, or placed directly on jobs by the Bureau of Indian Affairs.

*General work experience.*—Many individuals are unable to obtain the work experience which is the prerequisite to full participation in the labor force. In 1969, about 469,000 youths will be provided opportunities for work in the public sector during the school year or in the summer, so that they may obtain income necessary to continue their education. Another 121,000 youths and adults in both urban and rural areas, handicapped by age or local economic conditions, will have opportunities for meaningful work experience providing useful community services. The estimated 590,000 persons to be served in 1969 represents an increase of 155,000 over 1968.



*General manpower services and program support.*—The Federal-State Employment Service system is the supplier of basic manpower services and, with the local community action agencies, provides the leadership in carrying out manpower programs at the local level. Special emphasis is being given to identifying and seeking out the disadvantaged and providing them with counseling, referral to training, and special placement efforts.

Additional urban and rural concentrated employment programs will be established, using funds from the programs mentioned above, to provide a more effective and concentrated delivery of manpower services in specific geographic areas with large numbers of disadvantaged persons. An estimated 70 new CEP's—35 of them rural—will bring the total number of CEP's in 1969 to 146, serving over

200,000 individuals. These CEP's will bring together under one program such diverse services as remedial education, special counseling, work experience, institutional and on-the-job training, job placement, day care for dependent children, and health services.

Under the Economic Opportunity Act's special impact authority, $30 million in new obligational authority is requested for 1969, an increase of $10 million over 1968. These funds will be used to provide incentives to private employers to hire and train the disadvantaged in projects which contribute to the economic development of communities and neighborhoods having large concentrations of low-income persons.

About 53 percent of the new obligational authority requested for manpower in 1969 is included in the amount budgeted for the Office of Economic Opportunity and about 38 percent is included in the amount budgeted for the Department of Labor. Through transfers of funds, however, the Department of Labor will administer about 78 percent of the total manpower effort.

Major new emphasis is being given to improved coordination and planning in support of manpower services. In 1969, the cooperative area manpower planning system (CAMPS) will be strengthened to enhance coordinated planning for meeting manpower needs from the local community upward. Support is also provided for the collection of manpower data to serve as the basis of those plans.

The following data indicate the numbers of persons receiving a variety of services through Federal manpower programs:

MANPOWER PROGRAMS, INDIVIDUALS SERVED

[Fiscal years, numbers in thousands]

| Category and program | 1967 actual | 1968 estimate | 1969 estimate |
|---|---|---|---|
| Structured training: | | | |
| On the job | 125 | 186 | 281 |
| Institutional | 134 | 129 | 170 |
| Job Corps | 99 | 98 | 98 |
| New careers | 14 | 10 | 13 |
| MDTA part-time and employability training | | 57 | 63 |
| Indian manpower activities | 11 | 13 | 14 |
| Subtotal | 383 | 492 | 638 |
| General work experience: | | | |
| Youth school and summer work | 454 | 310 | 469 |
| Community work experience | 216 | 126 | 121 |
| Subtotal | 670 | 435 | 590 |
| General manpower services and program support: | | | |
| Support to concentrated employment program | 9 | 34 | 50 |
| Special impact program | | 10 | 15 |
| Subtotal | 9 | 44 | 65 |
| Total | 1,062 | 970 | 1,292 |

## MANPOWER PROGRAM LEVELS REFLECTING CONCENTRATED EMPLOYMENT PROGRAM AND JOBS CONTRIBUTION

1968

[Dollars in thousands]

| Fund source | Fiscal year base |  | Less CEP |  | Less JOBS |  | Net |  |
|---|---|---|---|---|---|---|---|---|
|  | Trainees | Federal obligations | Trainees | Federal obligations | Trainees | Federal obligations | Trainees | Federal obligations |
| MDTA | 275,000 | $381,307 | 27,200 | $51,000 | 12,900 | $45,000 | 234,900 | $285,307 |
| In school | 90,000 | 48,300 |  |  |  |  | 90,000 | 48,300 |
| Summer | 220,000 | 91,000 |  |  |  |  | 220,000 | 91,000 |
| Out of school | 79,000 | 141,700 |  |  |  |  | 79,000 | 141,700 |
| Operation Mainstream | 14,000 | 34,300 | 4,400 | 11,000 |  |  | 9,600 | 23,300 |
| New careers | 10,200 | 27,700 | 7,800 | 23,000 |  |  | 2,400 | 4,700 |
| Concentrated employment program support | 33,700 | 55,000 | 33,700 | 54,000 |  |  |  | 1,000 |
| Complete employment program (JOBS) | 15,000 | 53,000 |  |  | 15,000 | 51,000 |  | 2,000 |
| Concentrated employment program areas |  |  |  |  | (13,000) | (43,000) |  |  |
| Nonconcentrated employment program areas |  |  |  |  | (2,000) | (8,000) |  |  |
| Special impact, I-D | 4,000 | 10,000 |  |  | 4,000 | 10,000 |  |  |
| Work incentive program | 32,000 | 35,000 |  |  |  |  | 32,000 | 35,000 |
| Subtotal | 772,900 | 877,307 | 73,100 | 139,000 | 31,900 | 106,000 | 667,900 | 632,307 |
| Adjust ments |  |  |  |  |  |  |  |  |
| HRD program (State grants) |  |  |  | 16,000 |  |  |  |  |
| Complete employment program (JOBS) |  |  | 13,900 | 43,000 |  |  |  |  |
| Special impact, I-D |  |  | 4,000 | 10,000 |  |  |  |  |
| Total |  |  | 90,100 | 208,000 |  |  |  |  |

1969
[Dollars in thousands]

| Fund source | Fiscal year base |  | Less CEP |  | Less JOBS |  | Net |  |
|---|---|---|---|---|---|---|---|---|
|  | Trainees | Federal obligations | Trainees | Federal obligations | Trainees | Federal obligations | Trainees | Federal obligations |
| MDTA | 274,700 | $417,996 | 27,200 | $51,000 | 13,700 | $47,950 | 233,800 | $319,046 |
| Concentrated employment programs areas |  |  |  |  | (9,400) | (32,900) |  |  |
| Nonconcentrated employment programs areas |  |  |  |  | (4,300) | (15,050) |  |  |
| In school | 137,600 | 73,400 |  |  |  |  | 137,600 | 73,400 |
| Summer | 331,000 | 136,000 |  |  |  |  | 331,000 | 136,000 |
| Out of school | 93,000 | 165,600 | 11,000 | 23,000 |  |  | 82,000 | 142,600 |
| Operation Mainstream | 16,200 | 42,000 | 14,800 | 37,000 |  |  | 1,400 | 5,000 |
| New careers | 12,600 | 36,000 | 11,200 | 32,000 |  |  | 1,400 | 4,000 |
| Concentrated employment programs support | 50,0000 | 82,000 | 50,000 | 81,000 |  |  |  | 1,000 |
| Complete employment programs (JOBS) | 51,700 | 185,000 |  |  | 51,700 | 181,000 |  | 4,000 |
| Concentrated employment programs areas |  |  |  |  | (36,000) | (126,000) |  |  |
| Nonconcentrated employment programs areas |  |  |  |  | (15,700) | (55,000) |  |  |
| Special impact, I–D | 6,000 | 15,000 |  |  | 6,000 | 15,000 |  |  |
| Work incentive program | 102,000 | 100,000 | 50,000 | 55,000 |  |  | 52,000 | 45,000 |
| Subtotals | 1,074,800 | 1,252,996 | 164,200 | 279,000 | 71,400 | 243,950 | 839,200 | 730,046 |
| Adjustments: |  |  |  |  |  |  |  |  |
| HRD program (State grants) |  |  |  | 37,000 |  |  |  |  |
| Complete employment programs (JOBS) |  |  | 36,000 | 126,000 |  |  |  |  |
| Special impact, I–D |  |  | 6,000 | 15,000 |  |  |  |  |
| MDTA |  |  | 9,400 | 32,900 |  |  |  |  |
| Total |  |  | 215,600 | 489,900 |  |  |  |  |

Note: Obligations and trainee levels as reflected in the President's 1968 manpower message.

# CONGRESSIONAL PROPOSALS
# 90TH CONGRESS

# EMERGENCY EMPLOYMENT AND TRAINING ACT OF 1968

## Explanation

The Emergency Employment and Training Act of 1968 would provide employment and job training, during the next 4 years, for 2,400,000 low-income and unemployed Americans who live in urban and rural poverty areas. It would assure employment for poor persons in both the public and private sectors of the economy by making jobs available in community service and development fields and by providing incentives to private enterprise employers for the hiring and training of the hard-core unemployed. The provisions of the bill are summarized below.

### NUMBER OF JOBS

Sufficient appropriations would be authorized to assure the employment and training of 2,400,000 persons under the following formula:

| | Number of participants | | | |
|---|---|---|---|---|
| | 1st year, fiscal year 1969 | 2d year, fiscal year 1970 | 3d year, fiscal year 1971 | 4th year, fiscal year 1972 |
| Community employment | 300,000 | 600,000 | 1,200,000 | 1,200,000 |
| Private enterprise employment | 150,000 | 300,000 | 600,000 | 1,200,000 |
| Total | 450,000 | 900,000 | 1,800,000 | 2,400,000 |

### TITLE I—COMMUNITY EMPLOYMENT AND TRAINING

### *Community Employment*

In community service, community development and related activities, jobs would be created or made available in such fields as health, public safety, education, recreation, streets, parks and municipal maintenance, housing and neighborhood improvement, conservation and rural development, beautification, and other fields of human betterment and community improvement. Such jobs would be provided by both public agencies and private nonprofit organizations and in both rural and urban areas.

### *Training and Placement in Regular Competitive Employment*

Participants in community employment and training programs would be given the education, training, and supportive services necessary to prepare them for placements in regular, competitive private employment in the future. Thus, participants would be placed in regular jobs in the private sector as soon as they can be trained and a job in private enterprise found for them.

### *Supplies and Equipment*

Supplies and equipment to support and supplement projects carried out by participants in community employment programs would be made available through grants or loans to program sponsors.

## TITLE II—PRIVATE ENTERPRISE EMPLOYMENT AND TRAINING

Private enterprise employers (employing more than 10 persons in a trade or business) would be provided financial assistance to pay for specified employment and training costs incurred in hiring unemployed and low-income persons. Thus, incentives would be provided to pay for unusual training and other services such as on-the-job counseling and day care, for the cost of sending recruiters into poverty areas, for transportation to and from work, and for unusual overhead costs.

Financial assistance would be provided pursuant to a training plan which must include information on recruitment and selection of participants, the jobs for which participants will be trained, the wages to be paid trainees, entrance wages of other employees and the employer's usual training and other costs in hiring other employees.

The Secretary of Labor would be required to prescribe regulations to safeguard against the use of incentives to transfer an enterprise from one area to another or as a subsidy for normal operations.

## TITLE III—GENERAL PROVISIONS AND LIMITATIONS

### *Administration*

The act would be administered by the Secretary of Labor. Community employment and training programs would be operated by local public agencies and private nonprofit organizations with the full participation and cooperation of local public officials, area residents and private organizations.

### *Eligible areas*

Program participants in both the community and private employment programs would be recruited from rural and urban areas containing high concentrations or proportions of low-income families and individuals and having severe problems of unemployment and underemployment, or, with respect to rural areas, having outmigration problems.

### *Eligible participants*

Eligibility is restricted to persons who are either unemployed or low-income and who reside in eligible areas.

# JOBS FOR THE POOR—EMERGENCY EMPLOYMENT TRAINING ACT OF 1968

(Address by Senator Joseph S. Clark on floor of the U.S. Senate, February 29, 1968)

Mr. President, I rise today to discuss what I believe to be the major domestic problem of our time—the lack of employment opportunity for more than four million disadvantaged Americans who live in our Nation's city slums and ghettos and in rural communities and areas—the more than four million of our citizens who lack the education, the job skills, or the motivation to enable them to find steady employment and earn a decent living for themselves and their families.

I shall in a few minutes send to the desk the Emergency Employment and Training Act of 1968, a bill which would provide jobs and job training in both the public and private sectors of our economy for 2,400,000 hard-core unemployed during the next 4 years.

But before introducing the bill I would like to discuss why I believe the American people and their representatives in Congress must make the kind of national commitment that this emergency jobs proposal would require.

We live in a time of unparalleled prosperity. Our gross national product exceeds $800 billion. Our economy has grown every year in the last seven years at the rate of 5.2 percent—as compared with 2.4 percent growth rate from 1953 to 1960. Most Americans are enjoying the fruits of 7 years of continued economic expansion. This growth is reflected in employment statistics.

As President Johnson pointed out in his manpower message to Congress last month, more of our people are working today than ever before, 75 million of us—7½ million more than 4 years ago. From a high of 6.7 percent in 1961, the unemployment rate has been reduced to an average of 3.8 percent for the past 2 years and to 3½ percent today. In short, economic growth has been and will continue to be the foundation for our efforts to provide better employment opportunities for all Americans including the poor. Indeed, without sufficient economic growth not enough jobs will be created in the private sector of our economy to keep up with the growing population and to replace those jobs which become obsolete because of technological change.

The reduction in unemployment has undoubtedly been a major factor in helping many families escape poverty. Thus, in 1968 more than five million fewer Americans are below the poverty line than in 1960.

Yet, there is another side to this picture of affluence—

A side which, unfortunately, many Americans would like to forget;

A side which reveals that nearly 12 million working-age Americans either have no jobs or work at less than a living wage;

> A side which reveals that in addition to 3 million individuals who are counted as unemployed another 1½ million are, in fact, unemployed but not counted because they have given up looking for work.

There are different ways of measuring unemployment statistics. They do not always add up to the same total but they are, nevertheless, revealing and they do demonstrate the need for new jobs—jobs which do not now exist—for millions of poor.

First, let us look at the poverty statistics.

In 1966, the latest year for which the Census Bureau has data, 29.7 million Americans were poor. That is, if they were living in a family of four their yearly income was less than $3335, and if they were living alone, their yearly income was less than $1635. Of these, 11.8 million were of working age—they were either unemployed or had jobs which did not pay them a living wage.

And 4.6 million poor Americans of working age who are heads of families are bringing up 12½ million children in poverty.

In other words, each unemployed or low-income family head of working age is rearing three children in poverty—three children who are probably destined to have an inferior education and who may well join the ranks of the unemployed when they reach adulthood.

Not all these 4.6 million heads of families need jobs; 1.8 million of them worked all year in 1966 and 1.5 million worked part time, but at less than a living wage.

But 1,200,000 heads of families did not work at all in 1965.

Second, let us look at the unemployment picture from another angle—the total number of unemployed.

The startling fact is that while the unemployment rate (the percentage of employed in the work force) has been going down since 1961, the total number of unemployed persons in the United States has gone up. What is more, it continues to rise at the rate of about 100,000 individuals a year.

An average of 2,975,000 Americans were unemployed in 1967, when we had an unemployment rate of 3.8 percent. Twenty years ago, in 1948, we had the same unemployment rate—3.8 percent. But then there were only 2,276,000 out of work—700,000 less than today.

Third, there are the uncounted—the so-called "hidden unemployed." The monthly tabulations of the unemployed in the work force include only those jobless who are actually looking for work. In September 1966, when the official count of the unemployed totaled 2.8 million, a special survey was conducted by the Bureau of Labor Statistics to find out how many employable people there were who were jobless and no longer looking for work.

The answer was 1.4 million. Of these, 270,000 were about to start looking for work, 754,000 wanted to work but had long since given up trying to find a job, and another 435,000 were women who wanted to work if they could have arranged proper care for their children.

If these "hidden unemployed" had been counted in September 1966, the real unemployment rate would have been reported as 5.7 percent and the total number of unemployed as 4.2 million.

Add to this the fact that Government surveys are known to miss a significant number of people of working age—estimated to be 13 percent of the nonwhite and 2 percent of the white members of the working force—we should add another 200,000 to the real total of jobless workers.

Thus, 4.4 million able-bodied working-age Americans were, in fact, jobless in September 1966. Except for a slight decrease in the reported unemployment rate from 3.8 to 3.5 percent, there is no reason to believe the total number of unemployed isn't approximately the same today.

How many job openings are there that could be filled if the unemployed had the skills to fill them? We don't know the exact number of job vacancies at any given time. There is no nationwide mechanism for the reporting of job vacancies.

However, the best informed judgment of the Bureau of Labor Statistics is that as many as 2 million unfilled jobs are available at any given time.

Comparing this upper estimate of job vacancies—2 million—with the number of unemployed—4.4 million—we have a "job gap" of 2.4 million—2.4 million persons who are able and willing to work but for whom no jobs exist anywhere in the country.

This, then, is the unemployment picture. What are we doing about it? At what rate is the job gap being closed? How many jobs are being created to take care of the 2.4 million jobless for whom no jobs exist?

Economic growth has created 7½ million new jobs since 1964. Another 1.4 million new members of the labor force are expected to be absorbed in new jobs in 1968. But this increase is enough to take care only of the increase in the work force caused by population growth. Unemployment can, and has been, substantially reduced through manpower training and job placement programs such as the Manpower Development and Training Act, the Vocational Education Act, manpower programs under the Economic Opportunity Act, and other skill-development programs. But by and large, these programs do not create new jobs.

The President's proposed manpower budget for fiscal year 1969 contemplates a total expenditure of $2.1 billion for manpower and employment programs. These programs will train and employ 1,292,000 youths and adults, 648,000 of whom will be in so-called "structured" training programs.

These include on-the-job and institutional training programs under the Manpower Development and Training Act, the Job Corps, the new careers program, and Indian manpower activities. Over the past few years an increasing proportion of those who are trained under these programs are people from poor families. This is true, of course, of all projects conducted under the Economic Opportunity Act. However, under the Manpower Development and Training Act, less than 65 percent of the trainees came from disadvantaged backgrounds in 1967.

Yet MDTA has not, historically, been used for the training of so-called hard-core or long-term unemployed. In 1966, for example, only 41.5 percent of the institutional trainees, and only 27.8 percent of those trained on the job had, at the time of enrollment, been unemployed 15 weeks or longer. Thus, out of 230,000 MDTA enrollees in 1966, only about 86,000 were, at the time of enrollment, from among the hard-core unemployed.

Included in the President's budget for manpower is the new program for Job Opportunities in the Business Sector (JOBS). The JOBS programs will enlist private industry in a new partnership with Government to train and hire the hard-core unemployed. Commendable as this effort is and promising as it may be in the long run, it is only designed to put 100,000 hard-core unemployed on the job in industry between now and June 1969. No one knows whether this program will be a success, but to be successful it must create new jobs—not simply displace existing workers in old jobs.

These manpower training efforts—the Manpower Development and Training Act programs, the economic opportunity manpower programs, and other projects which comprise more than three-quarters of the President's $2 billion manpower budget—are all, by and large, designed to train the unskilled for either existing jobs or for jobs which, if new, have replaced old jobs which have become obsolete.

In summary, then, in spite of our manpower training efforts and in spite of the new jobs created through economic growth each year, we're treading water. Our present efforts are not sufficient to take care of 2.4 million jobless for whom no jobs exist.

About a half billion dollars in the fiscal 1969 manpower budget have been allocated for youth and community work experience programs. Youth programs, such as Neighborhood Youth Corps, are expected to provide 469,000 youths in school and on summer vacations with valuable work experience. Other programs, such as the Nelson amendment, the work experience training program under title V of the Economic Opportunity Act, and the new work incentive program established under the Social Security Act will provide 121,000 new jobs for adults in fiscal year 1969—fewer jobs, however, than were provided by these programs in fiscal year 1967 (in fact, nearly 100,000 fewer).

In short, current and proposed efforts to create new employment opportunities for the poor, while commendable, are scarcely noticeable when measured against a job gap of 2.4 million.

A massive job creation effort is needed and it should begin this year.

Employment statistics and a cataloging of job training aids as compared with existing training and job development efforts are not, however, the only reasons why I believe we must make a national commitment to provide jobs for the poor.

In 1964 we declared war on poverty—a war which, in its broadest sense, committed us to insure that every American family was provided an equal opportunity for adequate food, shelter and clothing, for education for their children and for a job.

But we made promises that we couldn't keep. We gave the poor a voice in their own destiny. But for most of the poor that destiny does not look any brighter today than it did four years ago. The poor are still cut off from the American dream, from buying the kind of house or living in the neighborhood they want, from giving their children a proper education and from the right to make a living through meaningful emplyoment. They live in houses owned by slum lords, unwilling or unable to make repairs, and they buy at stores which overcharge them.

They see their children relegated to schools that often are as ancient and decrepit and rat-infested as the slums they live in; and they come to know that their children's teachers are underpaid, harassed and disillusioned, frequently denied the equipment and facilities now considered necessary to a child's education.

We have come to realize—or should—that nothing erodes the human personality more than enforced idleness. Nothing eats away human dignity and self-respect more finally than the social cancer of joblessness.

Living in hovels with little or no income, frequently suffering hunger and malnutrition, millions of Americans are living lives that amount to something much worse than quiet desperation. They are lives of grinding frustration.

And here is the crux of our spreading urban crisis. The terrible frustration that men and women find in the dead end of poverty and joblessness not only erodes moral values, ambition and hope. It creates hopelessness, and hopelessness can be the torch set to the dynamite lying beneath every municipal surface.

Hopelessness means that the individual no longer cares. It means that the impoverished and jobless man or woman has lost all fear of consequences. Hopelessness means that the individual says to himself, "I have nothing to lose."

Because thousands of the Nation's impoverished men and women felt they "had nothing to lose" 69 American cities were hit last year by storms of fire, bloodshed and looting. At least 83 men, women and children were killed, and almost 2,000 others injured. When it was over more than 16,000 arrests had occurred and the Nation counted more than $150,000,000 in property damage.

How many slumdwellers were left homeless by the fires, how many additional jobs were wiped out with the destruction of small plants and businesses—these are figures we may never know.

But this national tragedy was, beyond any quibble, the product of frustration and hopelessness, the belief that there was nowhere to go, nothing to lose, that nothing could be much worse than the circumstances in which these tens of thousands of Americans found themselves.

It has become blindingly clear that our only salvation—the only salvation for our Nation's continuing social and economic plight—is to eradicate for once and for all the hopelessness and frustration that breed despair and violence. We must make sure that no Americans must ever again be forced to say, "We have nothing to lose."

Mr. President, I therefore propose an emergency jobs program for the hard-core unemployed and for low-income persons for whom no jobs are presently available. I send to the desk the Emergency Employment and Training Act of 1968 and ask that there be printed in the record at the conclusion of my remarks a copy of the bill together with an explanatory statement.

This bill closely parallels the emergency employment amendment to last year's poverty bill as that amendment was voted on in the Senate. It includes provisions for both public service and private employment and training. The private employment and training title is identical to the revision proposed by the junior Senator from Vermont (Mr. Prouty) last year on the Senate floor. By the same token the private employment and training title would give legislative sanction to the job opportunities in the business sector program announced by the

President in his state of the Union message and manpower message this year.

For the benefit of my colleagues I shall take the time to outline some of the main features of the bill. In doing so I would like to clear up several misunderstandings which were reflected in last year's Senate debate and to some extent in press reports on the Emergency Employment Act of 1967. First, this is not exclusively, or even primarily a cities or urban slum jobs bill. It will provide for employment opportunities in rural communities and farm areas as well as in our larger cities.

The Department of Labor has estimated that only 500,000 of the 4.4 million hard-core unemployed live in our 50 largest cities. While I suspect this estimate is low, it clearly illustrates the fact that most of the 2.4 million employment opportunities which would be created by the Emergency Employment and Training Act of 1968 will be in smaller cities and communities and in rural areas.

There is another reason why jobs in small communities and rural areas are as important as jobs in large cities. Secretary Freeman pointed out recently that between 500,000 and 600,000 persons continue to migrate from rural America to urban areas each year. If these rural residents had the opportunity to earn a living and educate their children most of them would undoubtedly prefer to remain in the countryside.

Our cities are not going to survive unless we find a way to stem the tide of migration from rural America.

The second misapprehension is that emergency jobs created in public service are "make work."

Let me say that I support the concept that every able-bodied American of working age should have an opportunity for a meaningful job that pays a living wage. I support the concept that as a last resort, Government should provide employment opportunities for those who cannot find employment in the private sector of our economy. This does not, however, and should not mean "make work" projects. It does mean socially useful, meaningful work which is designed to improve our communities, to rebuild our blighted neighborhoods, to improve the physical environment in which we live and to provide for all the human services needs which are not now being met.

Studies have been made over the past several years by Presidential and national commissions and by private groups demonstrating and cataloging the unmet needs and recommending a public service employment program.

In fact, 4 years ago, the Subcommittee on Employment, Manpower and Poverty recommended direct Government employment for the hard-core unemployed in the poverty-stricken areas. In 1963, the subcommittee conducted a year-long study of the Nation's manpower problems. In its report in January 1964 the subcommittee recommended:

> Federal, State, and local governments should undertake a joint program to directly employ the hard-core unemployed in poverty-stricken areas, both rural and urban, in an attack on the deficiencies of their own environments. Financial support should be provided by the Federal Government. Local governments and private groups should provide the proposals,

> planning, and administration. Neighborhoods for special consideration under this program should be selected on the basis of such factors as average family income, the level of unemployment, the proportion of long-term unemployed, the labor force participation rate, and the level of local effort, as well as the overall conditions in the city or rural area.
>
> Cities, counties, Federal agencies, or private nonprofit organizations could then make proposals and receive grants to employ the hard-core unemployed in needed projects which would not be otherwise undertaken privately or by means of more conventional programs.

In making this recommendation the subcommittee observed:

> It is recognized that such a proposal calls up immediate visions of the WPA, CCC, and NYA programs of the New Deal. Such visions also recall charges of "make work" and "leaf raking." Even if such charges were valid, there is no reason that a direct employment program of the 1960's would have to repeat the same mistakes. Even the most casual visit to an urban slum or a rural depressed area impresses one that work does not have to be "made" in these communities. There is more to do than rake leaves.

In February 1966 the National Commission on Automation, Technology and Economic Progress recommended that a 5-year program be established to provide 5 million public service jobs in 5 years. The Automation Commission estimated the potential sources of new jobs through public service employment as follows:

| | *Millions* |
|---|---|
| Medical institutions and health services | $1.2 |
| Educational institutions | 1.1 |
| National beautification | 1.3 |
| Welfare and home care | .7 |
| Public protection | .35 |
| Urban renewal and sanitation | .65 |
| Total | 5.3 |

Again in 1966 the White House conference on civil rights recommended:

> Jobs must be provided without delay to solve the Negro unemployment crisis. And these jobs must be made available for Negroes at their existing level of skill attainment. To meet this need, the Federal Government must assume responsibility for providing employment to workers who have been unable to find a productive place in the regular job market on their own. This employment must include the kinds of training and experience which are likely to increase the employability of the worker for regular jobs.
>
> The tasks assigned to workers of a proposed Government employment program, far from being "make work," are essential to fill the very real and pressing needs for public works and services that have accompanied population growth, urbanization, and the increasing demands on the Nation's physical resources. Workers employed on the proposed programs can make major contributions toward meeting the need for

> better housing, schools, hospitals, and parks in the burgeoning urban communities * * * they can fill the large scale shortage of subprofessional personnel in the fields of education, welfare, health, child care and many other services.

These and other studies too numerous to mention were printed last year in a document by the Committee on Labor and Public Welfare entitled "Emergency Employment Act, Background Information."

The third misunderstanding concerns the charge that the jobs created in public service would be "dead end" jobs. Several features of the legislation are designed to insure that persons employed in public jobs are afforded the earliest possible opportunity to move into regular competitive employment with private enterprise. All community employment programs would be expected to include training activities so that all participants will be given the education, training and supportive services while employed to prepare them for placement in regular private employment.

As they become ready and as private enterprise jobs become available they will be taken off the public payroll.

How long will they remain on the public payroll? I am frank to say that I do not know. I don't think it is possible to provide a timetable for a program which focuses on the people at the bottom of the education and training ladder and which, unlike existing programs, provides new jobs. A substantial number, I suspect, can never be trained for private enterprise employment and that is where Government must continue to be the employer of last resort. But the choice for those who cannot be trained for private jobs, it seems to me, is either enforced idleness coupled with income maintenance, on the one hand, or a job which will help to meet some of our society's unmet needs and which will accomplish socially useful tasks.

One final question I'm sure will be in the minds of many of my colleagues. How much will 2.4 million new jobs cost the Federal Government? The bill has been drafted to provide an open-ended authorization but to authorize the appropriation of sufficient funds to assure the employment of 1,200,000 individuals in community jobs and an equal number of persons in private enterprise. On the assumption that the wages paid for public employment in community service and development activities are at the rate of $4000 per year, and assuming that training and other supportive services provided each program participant cost the Government an additional $1000, the total cost at the end of 4 years to provide 1,200,000 public service jobs would be $6 billion.

The President's JOBS program is expected to provide employment for 100,000 hard-core unemployed at the rate of $3500 for each employee. At the same rate, 1,200,000 jobs in private enterprise would cost $4,290,000,000.

So that the total cost of providing 2,400,000 jobs for the hard-core unemployed would be about $10.3 billion. However, this would be spread over 4 years.

The first year the program would require an appropriation of about $2 billion.

Some will ask how we can afford another $2 billion in Federal expenditures when we are bogged down in a war in Southeast Asia and faced with the prospect of having to increase taxes to pay for the war, help keep down inflation and assure our continued prosperity.

My answer is that our first priorities should be here at home—not 10,000 miles across the Pacific or in outer space or on the moon or to subsidize supersonic transports.

If we can spend $79 billion to maintain our defense establishment and $5 billion to get to the moon, $2 billion for the human dignity, self-respect and the right to earn a living for 450,000 poor Americans does not seem to me too much to ask.

Mr. President, I close with the announcement that the Subcommittee on Employment, Manpower and Poverty will begin hearings on the Emergency Employment and Training Act of 1968 on March 13. We will during that week and subsequent weeks hear testimony from every possible interested organization and individual who is concerned with the problem of providing jobs for the poor. Our hearings will begin with representatives of the President's Commission on Civil Disorders. We will hear representatives of the administration. We will invite members of the National Urban Coalition and several newly formed local urban coalitions, including business leaders, labor leaders and civil rights leaders.

I would hope that through the hearings process we can answer the many questions which will undoubtedly be asked about the administration of an emergency employment program, the successes and failures of our present manpower efforts, and build a record which, I hope, will foster the kind of national commitment which I believe to be essential if all our citizens are to have an equal right to earn a living, if the war on poverty is to be won, and our promises kept.

90TH CONGRESS
2D SESSION

# S. 3063

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 29, 1968

Mr. CLARK (for himself, Mr. HARRIS, Mr. HART, Mr. KENNEDY of New York, Mr. KENNEDY of Massachusetts, Mr. METCALF, Mr. MONDALE, Mr. MORSE, Mr. NELSON, Mr. PELL, Mr. RANDOLPH, Mr. TYDINGS, Mr. WILLIAMS of New Jersey, and Mr. YARBOROUGH) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

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# A BILL

To provide employment and training opportunities for low-income and unemployed persons.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Emergency Employment and Training Act of 1968".

## FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. (a) The Congress finds that—

(1) certain urban and rural communities and other areas in the Nation are presently burdened by severe unemployment and underemployment. Many such areas

II

contain large concentrations or proportions of persons who are unable to obtain jobs in regular competitive employment because of lack of education, occupational skills, work experience, or transportation and because of artificial barriers to employment and occupational advancement. Many of the affected areas are doubly handicapped by the lack of sufficient jobs for all the potential labor force. These conditions are destructive of human dignity and result in a loss of national productivity. In many localities such conditions have reached crisis proportions and often contribute to social unrest and civil disorder;

(2) the migration of unskilled residents from rural areas which lack employment and other economic opportunities to urban areas aggravates such conditions, thereby impeding the effectiveness of manpower training, job development, and related efforts in urban centers while at the same time undermining the economic potential of such rural areas;

(3) at the same time there is a huge backlog of need for additional community services and facilities in both urban and rural areas in such fields as those which (a) contribute to the development of human potential, (b) better the conditions under which people live, learn, and work, and (c) aid in the development and conservation of natural resources; and

(4) to the extent practicable private employers should provide the training and related services necessary to enable such persons to fill jobs in the private sector of the economy.

(b) Therefore, it is the purpose of this Act—

(1) to provide meaningful public and private employment opportunities in community service and development and related activities which will relieve severe unemployment and underemployment in both urban and rural areas and contribute to the national interest by fulfilling unmet needs; and

(2) to provide incentives to private enterprise employers other than nonprofit organizations to invest in the improvement of the Nation's human resources by hiring, training, and employing low-income and unemployed persons who reside in areas burdened with severe unemployment and underemployment.

## TITLE I—COMMUNITY EMPLOYMENT AND TRAINING

### FINANCIAL ASSISTANCE

SEC. 101. (a) The Secretary of Labor (hereafter referred to as the "Secretary") is authorized to provide financial assistance in urban and rural areas designated in accordance with section 301 of this Act for part or all of the costs of programs which provide meaningful public services and other employment opportunities for unemployed or low-income persons. Such programs shall include, but need not be limited to, the following:

(1) Jobs created or made available to provide community services and development and related activities in such fields as health; public safety; education; recreation; streets, parks, and municipal maintenance; housing and neighborhood improvement; conservation and rural development; beautification; and other fields of human betterment and community improvement. Such jobs shall include (A) those which can be made available immediately to persons who are otherwise unable to obtain employment, (B) those which provide placement resources for persons completing training under titles I and V of the Economic Opportunity Act and other relevant manpower training programs, and (C) those which use the skills of unemployed persons in areas with a chronic labor surplus. Priority shall be given to projects which are labor intensive in character.

(2) Activities designed to assure that persons employed in such jobs are provided opportunity for further education, training, and necessary supportive services so that they may be prepared to obtain regular competitive employment in the future. For this purpose, not to exceed 20 per centum of the funds appropriated under this Act may be used by the Secretary for the purpose of carrying out training programs

under the Manpower Development and Training Act of 1962, part B of title I of the Economic Opportunity Act of 1964, and other relevant Federal training programs if he determines that this is the most effective method of providing for the activities authorized by this paragraph.

(3) Activities designed to facilitate the placement of persons employed in such jobs and other eligible participants in private employment and training under part B of this Act and in regular competitive employment, including the encouragement of private employers to adopt innovative approaches which create or make available additional jobs and new types of careers for low-income and disadvantaged persons.

(b) To the extent practicable, the Secretary shall provide financial assistance through the prime sponsor recognized under part B of title I of the Economic Opportunity Act. However, he may provide financial assistance directly to other public agencies and private nonprofit organizations when he determines that such assistance would enhance program effectiveness or acceptance on the part of persons served and would serve the purpose of this part.

### EMPLOYMENT, TRAINING, AND PLACEMENT PLAN

SEC. 102. No financial assistance shall be provided under this part except upon approval by the Secretary of a plan submitted by an eligible sponsor, the provisions of which shall include:

(1) a description of the eligible area or areas to be assisted by such programs, including data indicating the number of potential eligible participants and their income and employment status;

(2) a description of the methods to be used to recruit and select participants, including specific eligibility criteria;

(3) the title and description of jobs to be filled, a listing of the major kinds of work to be performed and skills to be acquired, and the approximate duration for which participants would be assigned to such jobs;

(4) the wages or salaries to be paid participants and a comparison with the prevailing wages in the area for similar work;

(5) the education, training, and supportive services which complement the work performed and which will prepare participants for regular, competitive employment in the future;

(6) the placement activities for eligible participants, including a description of probable future job opportunities;

(7) an indication of the full participation and maximum cooperation among local public officials, residents of

eligible areas, and representatives of private organizations in the development of the program and a description of their respective roles in the conduct and administration of the program.

(8) a description of the ways in which the program will be coordinated with other federally assisted activities, including programs operated under the Manpower Development and Training Act of 1962, the Economic Opportunity Act of 1964, the Public Works and Economic Development Act of 1965, and Demonstration Cities and Metropolitan Development Act of 1966, other Federal housing and community development programs, and other relevant Federal Acts;

(9) a commitment to meet the requirements and special conditions of part C of this Act.

### SUPPLIES AND EQUIPMENT

SEC. 103. (a) The Secretary is authorized to provide financial assistance and make loans to public agencies and private nonprofit organizations for the purchase of supplies and equipment which support and supplement projects carried out by participants under this part.

(b) Loans authorized under this section may be made without interest and under such other terms and conditions as the Secretary may prescribe.

## TITLE II—PRIVATE ENTERPRISE EMPLOYMENT AND TRAINING

### DEFINITION

SEC. 201. For purposes of this part, the term "employer" means any private person, corporation, firm, or business concern which employs more than ten individuals in a trade or business.

### FINANCIAL ASSISTANCE

SEC. 202. The Secretary is authorized to provide financial assistance to employers for training and employment costs incurred pursuant to a plan approved by the Secretary under section 203, including—

(1) the cost of unusual training and other unusual services for a limited period when an employee might not be fully productive, including on-the-job counseling, day care, and other supportive services;

(2) all or part of employer costs of sending recruiters into areas of high concentration of unemployed or low-income persons;

(3) payments to permit employers to provide employees resident in such areas with transportation to and from work or to reimburse such employees for such transportation; and

(4) unusual overhead costs incurred as a result of an employee's lack of education, training, or experience, such as costs of spoilage of work or of added managerial effort.

TRAINING PLAN

SEC. 203. No financial assistance shall be provided under this part except upon approval by the Secretary of a plan submitted by an employer which shall be revised from time to time as requested by the Secretary, the provisions of which shall include—

(1) a description of the eligible area or areas from which participants will be recruited;

(2) a description of methods to be used to recruit and select participants including specific eligibility criteria;

(3) the title and description of the job objectives for which participants are to be trained;

(4) the length of the training period;

(5) a schedule listing various operations for major kinds of works or tasks to be learned and showing, for each, job operations or work tasks to be performed, and the approximate length of time to be spent on each operation or task;

(6) the wage or salary to be paid at the beginning of the course of training, at each successive step in the course of training and at the completion of training;

(7) the entrance wage or salary paid to employees already trained in the kind of work for which the participants are to be trained;

(8) the number of hours of supplemental related instruction required;

(9) information respecting the cost of usual training and other usual services provided employees other than those who are eligible participants under this Act in order to make such employees fully productive; and

(10) a commitment to meet the requirements and special conditions of part C of this Act.

### SAFEGUARDS

SEC. 204. The Secretary shall prescribe regulations to safeguard against abuses of any incentives provided under this title, including, but not limited to, safeguards against the use of such incentives in order to transfer any enterprise from one area to another and safeguards designed to prevent such incentives from being used as a subsidy for normal operations.

## TITLE III—GENERAL PROVISIONS AND LIMITATIONS

### ELIGIBLE AREAS

SEC. 301. The Secretary, in accordance with criteria which he prescribes, shall designate urban and rural areas to be eligible for assistance under part A and from which participants may be recruited under part B of this Act. Such areas may be defined without regard to political boundaries and shall contain high concentrations or proportions of low-income families and individuals and shall have severe problems of unemployment and underemployment or, with respect to rural areas, problems of out migration.

### EIGIBLE PARTICIPANTS

SEC. 302. Participants in programs under this Act must be unemployed or low-income persons who reside in eligible areas and who meet other criteria prescribed by the Secretary. Low income shall be defined as provided by section 125 of the Economic Opportunity Act of 1964.

### SPECIAL CONDITIONS

SEC. 303. (a) The Secretary shall not provide financial assistance for any program under this Act unless he determines, in accordance with such regulations as he may prescribe, that—

(1) no participant will be employed on projects involving political parties, or the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship;

(2) the program will not result in displacement of employed workers or impair existing contracts for services, or result in the substitution of Federal for other funds in connection with work that would otherwise be performed;

(3) wages paid a participant shall not be lower than, whichever is the highest (A) the minimum wage which would be applicable to the employment under the Fair Labor Standards Act of 1938 if section 6 of such Act applied to the participant and he was not exempt under section 13 thereof, (B) the State or local minimum wage for the most nearly comparable covered employment, or (C) the prevailing rate of wages in the area for similar work; and

(4) the program will, to the maximum extent feasible, contribute to the occupational development or upward mobility of individual participants.

(b) For programs related to physical improvements, preference shall be given to those improvements which will be substantially used by low-income persons and families in eligible areas.

(c) The Secretary shall prescribe regulations to assure that programs under this part have adequate internal administrative controls, accounting requirements, personnel standards, evaluation procedures, and other policies as may be necessary to promote the effective use of funds.

(d) Programs approved under this part shall, to the maximum extent feasible, contribute to the elimination of artificial barriers to employment and occupational advancement, including civil service requirements which restrict employment opportunities for the disadvantaged.

### EVALUATION

SEC. 304. The Secretary shall provide for the continuing evaluation of programs under this Act. He shall require sponsors of programs under part A and employers assisted by part B to provide such data as may be necessary to evaluate program effectiveness, and he shall arrange for obtaining the opinions of participants about the strengths and weaknesses of the programs. He may contract for independent evaluations of programs and of selected, individual projects. The results of such evaluation shall be included in the report required by section 305.

### REPORTS

SEC. 305. Not later than the 1st day of March of each year, the Secretary shall prepare and submit to the President for transmittal to the Congress a full and complete report on the progress made in implementing and on all activities conducted under this Act.

### DURATION OF PROGRAMS

SEC. 306. The Secretary shall carry out the programs provided for in this Act during the fiscal year ending June 30, 1969, and the three succeeding fiscal years.

### DISTRIBUTION OF ASSISTANCE

SEC. 307. The Secretary shall establish criteria to achieve an equitable distribution among the States of payments made from funds appropriated under this Act, but not more than 12.5 per centum of such funds for any fiscal year shall be used within any one State.

### AUTHORIZATION OF APPROPRIATIONS

SEC. 308. (a) For the purpose of carrying out the provisions of title I of this Act there are hereby authorized to be appropriated for the fiscal year ending June 30, 1969, and for each succeeding fiscal year such sums as may be necessary to assure the employment of not less than—

(1) three hundred thousand participants on or before June 30, 1969;

(2) six hundred thousand participants on or before June 30, 1970;

(3) one million two hundred thousand participants on or before June 30, 1971; and

(4) one million two hundred thousand participants during the fiscal year ending June 30, 1972.

(b) For the purpose of carrying out the provisions of title II of this Act there are hereby authorized to be appropriated for the fiscal year ending June 30, 1969, and for each succeeding fiscal year such sums as may be necessary to assure the employment of not less than—

(1) one hundred and fifty thousand participants on or before June 30, 1969;

(2) three hundred thousand participants on or before June 30, 1970;

(3) six hundred thousand participants on or before June 30, 1971; and

(4) one million two hundred thousand participants on or before June 30, 1972.

(c) Appropriations authorized by this section shall remain available until expended.

# NATIONAL MANPOWER ACT OF 1968 (SENATORS JAVITS AND PROUTY)

## Description

### TITLE I—AMENDMENTS TO THE MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962

Title I of the bill is composed of six major amendments to the Manpower Development and Training Act of 1962, which is presently before the Congress for extension. These amendments are not intended as reforms of present programs under the MDTA, but are rather new language and new programs to be operated by the Department of Labor.

*1. Statement of purpose.*—The bill commences with a complete rewriting of the statement of purpose of the MDTA. That act's purpose section was originally written with a heavy emphasis upon problems caused by automation and technological change, but that is not the major problem today nor is it the way the act is being applied. The new statement of purpose emphasizes the problems of unemployment and underemployment caused by lack of education and occupational skills and by existence of artificial barriers to employment, as well as the problems of automation. It calls for a comprehensive national manpower policy which places the basic responsibility for job training and employment with the private sector, in the same manner that the National Housing Act identifies the private sector as having the chief responsibility in the housing field.

*2. Job vacancy and labor supply information.*—The United States is the only major industrial country which has no national program of identification of job vacancies. The Republican Party has long espoused such a program, operated on an automated basis, and the Riot Commission has now endorsed this type of program. To carry out this idea, the bill amends section 106 of the MDTA to require such a job opportunity survey and a program for matching unemployed persons with employer reguirements and job vacancies on a local, interarea, and nationwide basis.

*3. Community service employment programs.*—The bill adds a new title IV to the MDTA establishing a community service employment program for the hard core. Employment and training opportunities would be created in a wide variety of public-service-type activities—including health, education, public safety, neighborhood rehabilitation, beautification, and recreation. The programs could be operated by public or private organizations. The bill would make available an authorization of $400 million for this purpose for fiscal year 1969, and $500 million for fiscal year 1970; these amounts would create 80,000 and 100,000 new jobs in those 2 years.

Forty percent of the amounts authorized would be allotted according to a State allocation formula for use within a State plan arrangement;

for this purpose, each State would receive a minimum of $1 million. This is essentially a block grant scheme, with the States redistributing the funds to local program sponsors. The State plan provisions require that the State not retain more than 25 percent of its funds for operation of community service employment programs directly by State agencies; but this "pass-through" requirement can be waived by the Secretary if he finds that the programs would be more effectively operated by the State itself (as where the State is too small to have to deal through local sponsors).

The remaining 60 percent of the sums appropriated for any fiscal year are to be expended by the Secretary to carry out the purposes of the act in accordance with such criteria as he may prescribe. If he likes the way the State is administering its funds under the State plan, he could add funds from this discretionary 60 percent to the 40 percent already passing through the State plan. Alternatively, he may fund local programs directly.

The bill emphasizes coordination and consolidation of all the various community service employment programs at the local level. The Secretary is required to designate urban and rural areas containing high concentrations or proportions of unemployed or low-income persons as eligible areas for the purposes of the programs. He then designates a prime sponsor for each eligible area to receive all assistance under the program. The prime sponsor is also to receive all funding under the various other community service employment programs now in existence, including the Neighborhood Youth Corps, Operation Mainstream, the new careers program, and the work incentive program under the Social Security Act. The prime sponsor becomes the funnel at the local level through which all these resources would flow, and the prime sponsor must submit to the Secretary a community employment plan setting forth a comprehensive program according to which all these funds will be spent. These local community employment plans are, in turn, coordinated with the development of the State plan. Both the Secretary and the State agencies would provide assistance through the prime sponsor in each eligible area, although there is a bypass provision if they find that funding a different organization would better carry out the purposes of the program.

The State plan provisions are similar to those set forth under title III of the Elementary and Secondary Education Act of 1965. As under that act, the State plan would be developed and carried out by a policy group (the State manpower policy council) which would be broadly representative of the job training and employment resources of the State.

Financial assistance under the program would be provided both to create the new jobs and to provide necessary supportive services in the area of education, training, day care and other services. In order to increase the motivation of participants, the Secretary is instructed to give a preference in appropriate cases to the funding of programs through local service companies which would be owned in substantial part by the employees themselves. For example, in the area of neighborhood cleanup the Secretary could seek to form a local service company to undertake the project on a contractual basis, and he could provide for added profits to the group if they perform a contract in an expeditious and successful manner. In this way, the employees are actually given the added motivations of business ownership, and in time their company would become self-sufficient and seek contracts as a regular competitive business. This approach is presently proving successful with certain pilot projects being conducted by the Labor Department. In order to facilitate the formation of such local service companies and to aid them in becoming self-sufficient, the Secretary would be authorized to provide assistance to "service development organizations." Such development groups, which might be the local chapters of the Urban Coalition or even private profitmaking companies, would be authorized to undertake planning and market research activities, legal and technical assistance, management training, and the provision of business services on a centralized basis (such as billing and accounting).

In order to further increase motivation among program participants, and to remove the aura of dead-end and make-work employment, the Secretary is instructed to give a preference to successful participants for entry into an on-the-job training or placement program providing jobs in the private sector. In this manner, a real job ladder into regular competitive employment is provided.

A special section deals with the critical need for programs in the field of public safety. The Secretary is directed to provide special encouragement to the development of such programs, whereby employment and training opportunities would be created for disadvantaged persons as community service officers and other support personnel in or under the supervision of the police departments. This type of proposal has been endorsed by the Crime Commission (the President's Commission on Law Enforcement and Administration of Justice) and by the Riot Commission. Community service officers could be full- or part-time employees who would perform services in the area of recruiting police personnel from eligible areas and minority groups, improving police-community relations and grievance resolution mechanisms, and performing community escort and patrol work. In this manner, the new employment program would have a direct impact on stabilizing community conditions and reducing the incidence of crime. The Secretary and the Attorney General would jointly prescribe the regulations governing programs in the public safety area.

Federal financial assistance under the program would be limited to 90 percent of project costs, where the program was being carried out on a grant basis by a public agency or private nonprofit organization.

*4. The Economic Opportunity Corporation.*—The Riot Commission endorsed the idea of a federally chartered corporation to take on the major role in coordinating and providing technical assistance under private sector job programs (on-the-job training and tax credits). Republicans have long backed the concept of a national technical assistance corporation to encourage private industry to participate in antipoverty efforts such as manpower programs. The bill would reintroduce this Economic Opportunity Corporation proposal, cosponsored last year in the Senate by 23 Republicans, as a new title V of the MDTA.

The Corporation would be a federally chartered nonprofit corporation with a board of directors of 15 persons, five appointed by the President and 10 elected by the members of the Corporation. Any person or organization could become a member of the Corporation by making a tax-exempt gift to it or by buying one of its bonds. The Federal Government would provide $10 million to the Corporation as seed money on a one-time basis, with a requirement that up to $10 million more Federal funds would be provided to match private contributions and bond purchases.

The Corporation would have a variety of purposes and functions: (1) It would establish an information and research center on how private groups can participate in antipoverty activities, including information on existing Government programs and case studies on successful private projects; (2) it would actively provide technical assistance to organizations in the planning and operation of such projects and programs; (3) it would participate in the development and conduct on a contractual or other basis of Government antipoverty programs linked to the private sector, including by working with the Secretary of Labor in drawing up regulations under the tax credit and on-the-job training schemes; (4) it would undertake special responsibilities in the fields of manpower training and business ownership by minority group and low-income persons; and (5) it would develop and carry out its programs through subsidiary groups at the local level, such as the local Urban Coalition. It is hoped that by providing a legislative base for this kind of private technical assistance activity, the Congress can promote a greater degree of cooperation between the Urban Coalition and the National Alliance of Businessmen.

While the Corporation itself would be a nonprofit organization, it could establish profitmaking subsidiaries as new business enterprises in the urban and rural slums, and it could hope to raise funds to sustain its operations through those operating subsidiaries.

5. *Evaluation and oversight by the Comptroller General.*—Under a Republican amendment last year to the antipoverty legislation, the General Accounting Office is presently conducting a qualitative evaluation of the Office of Economic Opportunity programs. This marks a new departure for the GAO into qualitative program evaluation, beyond its usual accounting and auditing functions. It is the first step in building that agency into a real legislative oversight and evaluation arm for the Congress. This bill would propose to extend that development to the field of manpower training and employment by authorizing a continuing study and oversight by the GAO of Federal work and training programs. Among the activities specifically included in the study would be a comparison of the relative costs and benefits of different types of training and employment programs, and an annual report to the Congress on the efforts made by Federal agencies in complying with legislative amendments and the instructions in committee reports. Such sums as might be necessary to carry out these functions are authorized by this legislation, which takes the form of a new title VI of the MDTA.

## TITLE II—TAX CREDITS FOR EMPLOYMENT OF THE HARD CORE

The GOP has long championed the idea of providing tax credits to private industry for the training and employment of the hard-core poor. That approach has now received important endorsement from the Riot Commission. The Commission established a special task force of businessmen to look into the question of private sector involvement, and that task force recommended a detailed program of tax credits in the manpower field. Title II of the bill sets forth in legislative form the tax credit proposal advanced by the Riot Commission. This is in no way preemptive of the GOP Human Investment Act, which provided a tax credit through a somewhat different mechanism, but is intended as a companion proposal with the understanding that both tax credit bills deserve immediate consideration by the administration and the Congress.

The Commission's tax credit proposal stresses simplicity and automaticity more so than does any previous version of the idea. The local recruiting agency would give to each hard-core person a "green card." For each new such employee added to his payroll, the employer would receive a substantial tax credit, providing that no existing employees are dismissed in order to hire green-card people. The employer would get a credit equal to 75 percent of the employee's wages and fringe benefits for the first 6 months, 50 percent for the second 6 months, 25 percent from the second year, and nothing thereafter. As an inducement to force the employer to encourage the worker to stay on the job, the employer would get none of the credit for any 6- or 12-month period unless the employee stayed for that entire period. The credit was purposefully based on the employee's wage in order that a precisely defined figure could be used; apparently, the businessmen thought that any effort to refer to training costs would involve too much redtape and Internal Revenue Service oversight. Using a minimum wage of $1.60 per hour, the total credit for the first year would be $2,080, and over the 2-year period would come to $2,912—far less than the $3,500 reimbursement (over 15 months) contemplated under the President's new "JOBS" (OJT) program. Of course, the cost of the tax credit would be even less than this since there is a wash effect in that the new wage earners are paying taxes and producing revenue for the Treasury.

The GOP bill would allow an employer to take either a tax credit or to seek reimbursement under the OJT program, but would not allow both. The cosponsors would, therefore, support the OJT program and would in fact ask for greater funding for it than the President has suggested, but no legislation is needed in that regard since MDTA-OJT has an open-ended authorization.

### JOB SLOTS AUTHORIZED AND COSTS

This set of manpower proposals would create 300,000 new jobs for the hard-core poor in the first year of operation. The community service employment program would be extended to a second year at a level of 100,000 job slots, and of course the tax credit and on-the-job training provisions would also remain in force but we cannot estimate the number of slots which might be produced in the second year under those approaches. The figure of 300,000 jobs is to be compared to the 70,000 jobs suggested by the President for fiscal year 1969 under his new JOBS program; hence, this Republican proposal would create over four times as many new jobs as the President recommends.

The 300,000 new jobs would be split into 220,000 jobs in the private sector under the tax credit-OJT option, and 80,000 jobs under community service employment program. Of the 220,000 private sector jobs, the bill follows the estimate of the Riot Commission in suggesting that the tax credit approach would produce 150,000 slots in the first year. The remaining 70,000 slots would be allocated to the on-the-job training program. Using this set of estimates, the cost of the tax credit in the first year would be $312 million, and the cost of the reimbursements would be $244 million, for the total cost of $556 million for the private sector jobs. (But since an employer would have a choice of the tax credit or reimbursement approaches, the cost of the private sector job program could vary between $457 million, if all the jobs were financed by the tax credit, and $770 million, if they were all financed by way of reimbursements.) To this must be added $400 million for the community service employment program and $20 million for the Economic Opportunity Corporation, for a total cost of $976 million. But while this is the cost, it is not the appropriation since the tax credit approach involves no direct appropriation. The total in new appropriations requested is $664 million, of which $400 million is above and beyond what the President requested in the fiscal year 1969 budget. It should also be understood that the cost figure would in fact be somewhat less than the $976 million projected, because there would be a wash effect due to the added tax revenues to the Treasury from the new wage earners.

## Statement of Sponsors

We are presenting this manpower legislation in the form of a four-part proposal designed to meet the Nation's urgent problems of hard-core unemployment in a balanced and flexible manner. We are proposing a major escalation of national effort in this area, yet we do so within the context of a reordering of our national priorities so that a net budgetary reduction can still be achieved. The proposal contains the following elements.

*1. Private enterprise programs.*—The Republican Party has long endorsed the concept that the private sector has the primary responsibility and the greatest ability to deal with the hard-core unemployment problem. That view has now drawn major support from the report of the National Advisory Commission on Civil Disorders, which has endorsed the idea of tax credits for employing the disadvantaged, an approach pioneered by the GOP in the Human Investment Act and other bills. Moreover, the President has finally expanded the on-the-job training program to increase the reimbursements available to industry to train and employ the poor; that approach was also championed by the GOP and a Republican-sponsored amendment to the Economic Opportunity Act last year is providing the major authority for the administration's new effort.

We now propose a substantial expansion and a new coordination of this approach. First, the proposed legislation would establish a system of tax credits to employers for hiring the hard core, along the lines suggested by the Riot Commission. We continue to support the Human Investment Act, which presents a somewhat different mechanism under which the tax credit would be given, and believe that both proposals deserve immediate analysis and consideration by the administration and the Congress. We cannot understand why the President has ignored this proposal of his own Commission and we urge him to give the matter the urgent attention we feel it deserves. Second, we propose that each employer be given the option of receiving either the tax credit or a reimbursement under the on-the-job training (OJT) program for each new hard-core employee. In this context we support the new OJT effort and expanded funding for it.

Our proposal involves the creation of 220,000 new private sector jobs under this option technique. Following the estimates of the Riot Commission, we believe that 150,000 new jobs could be created in the first year under the tax credit approach, which would cost the Treasury about $312 million in reduced tax revenues. This cost would, of course, be significantly reduced by tax revenues generated from the new wage earners. The remaining 70,000 jobs, if created under the OJT framework, would cost $244 million, for a total cost of $556 million. Since an employer would have a choice of the tax credit or reimbursement approach, the cost of the program would vary depending on the mix of credits and reimbursement which is finally elected, but the outer limits would be $457 million (if all employers took the tax credit) and $770 million (if all employers took the reimbursement under OJT).

*2. Community service employment program.*—We recognize that private enterprise cannot and should not be asked to do the whole job itself. There are many individuals not ready for employment in the private sector and some who might never be able to hold a job in regular competitive employment. For this group we propose a new community service employment program, creating work and training opportunities with both public and private employers in such fields as health, public safety, education, recreation, and neighborhood improvement. Such a program has now been recommended by the Automation Commission, the Urban Coalition, and the Riot Commission.

This bill would differ in four major respects from other bills which have been introduced to create public service jobs. First, we suggest two new approaches to meet the difficult problems of high dropout rates and of motivation of prospective employees, who might view the program as involving dead-end jobs with no future. Our bill would require the Secretary of Labor to give a preference in appropriate cases to the conduct of such programs by profitmaking companies operated and owned by the employees themselves. Thus, instead of hiring disadvantaged persons to work for the city sanitation department, they would instead be organized as a company and given a contract for neighborhood clean-up, with an incentive profit feature if they perform in a timely and effective manner. The employees are thus given the added motivations of ownership and profit. Development companies, which might be organized by local branches of the Urban Coalition, would provide management assistance and centralized business services to the new service companies. Another aspect of our bill would increase motivation by giving successful participants in the program a preference for enrollment in a training or placement program operated with private industry, so that a real job ladder into the private sector is offered.

Second, our bill would put a heavy emphasis on consolidation at the local level of the various public service employment programs, including the Neighborhood Youth Corps and the new work program for welfare recipients. This consolidation was strongly urged by the Riot Commission. Third, the GOP bill specifically authorizes and encourages the development of a variety of programs in the area of public safety, including employment of community service officers in police departments and other personnel designed to improve police-community relations and grievance resolution. Fourth, the GOP bill involves a major role for the States, setting aside 40 percent of the funds for allocation through State plans drawn up by broadly representative groups.

This portion of the bill would create 80,000 new jobs at a cost of $400 million in the first year; a second year authorization calls for 100,000 slots at a cost of $500 million. The private sector and community service employment programs taken together would create a total of 300,000 new jobs in the first year, which is over four times more new jobs for the hard-core unemployed and underemployed than the President proposed to create in his JOBS program.

3. *The Economic Opportunity Corporation.*—The Riot Commission endorsed the idea of a federally chartered corporation which would be given the major role in coordinating and providing technical assistance for private employers who wish to use either the tax credit or reimbursement schemes for hiring the hard-core poor. The corporation would work with the Secretary of Labor in drawing up guidelines for the tax credit and OJT programs, and would suggest and evaluate different programs designed to involve businessmen in hiring the disadvantaged. This corporation approach is in fact a GOP idea of long standing, beginning the Economic Opportunity Corporation bill introduced in 1966. The latest verson of the EOC legislation, cosponsored by 23 Republicans in the Senate, provides a vehicle almost in line with the Riot Commission's recommendations.

Our new bill would include legislation establishing an Economic Opportunity Corporation to serve as a national technical assistance group to assist private industry and other private groups to participate in antipoverty activities in such fields as manpower training and minority-group entrepreneurship. It would be a central source of information on useful Government programs and a repository of case studies of successful private efforts. It would also be a source of seed money and program assistance for local groups, such as the local Urban Coalitions. The total cost of this proposal is $20 million.

4. *New programs under the MDTA.*—Finally, our legislation makes three important additions to the Manpower Development and Training Act of 1962. First, we would add a new statement of purpose to that act to focus it upon the problem of hard-core unemployment and underemployment. Second, we would add a new requirement for an automated job vacancy survey and matching program to put people into available jobs; this has long been a GOP proposal and was endorsed by the Riot Commission. Third, we propose to authorize a continuing evaluation and study of Federal manpower programs by the General Accounting Office to guide further legislation and to improve our capacity for legislative oversight. We do not intend this bill as a comprehensive set of reforms of present programs under the MDTA, and each sponsor reserves the right to introduce separate measures for that purpose.

The entire package is endorsed by its sponsors with the understanding that it is within the framework of proposals to cut low priority programs in the fiscal year 1969 budget on the order of about $6.5 billion. Part of this amount would be reallocated to high priority programs such as presented in this manpower legislation. The human renewal fund proposal advanced by Republicans in the House of Representatives offers a possible model in this regard.

90th CONGRESS
2d Session

# S. 3249

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IN THE SENATE OF THE UNITED STATES

March 28 (legislative day, March 27), 1968

Mr. Javits (for himself, Mr. Allott, Mr. Brooke, Mr. Case, Mr. Cooper, Mr. Hansen, Mr. Hatfield, Mr. Kuchel, Mr. Morton, Mr. Pearson, Mr. Percy, Mr. Prouty, and Mr. Scott) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

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# A BILL

To provide a comprehensive national manpower policy, to improve the Manpower Development and Training Act of 1962, to authorize a community service employment program, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "National Manpower Act of 1968".

## TITLE I—AMENDMENTS TO THE MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962

### FINDINGS AND DECLARATION OF NATIONAL MANPOWER POLICY

Sec. 101. Section 101 of the Manpower Development and Training Act of 1962 is amended to read as follows:

## "FINDINGS AND DECLARATION OF NATIONAL MANPOWER POLICY

"SEC. 101. (a) The Congress hereby finds that the full promise of American life and prosperity is denied to many persons in many communities due to severe problems of unemployment and underemployment. Numerous individuals, many of whom live in trapped-in economically depressed rural and urban areas, are unable to obtain jobs in regular competitive employment because of (1) lack of education, occupational skill, or work experience, (2) the existence of artificial barriers to employment and occupational advancement, and (3) a continuing process of automation and technological change which renders obsolete many traditional skills. An even larger number are underemployed, earning a marginal existence in low-skilled occupations characterized by substandard wages, great uncertainty of tenure, little chance for advancement, and low social status. While these problems of unemployment and underemployment affect all racial groups, they afflict nonwhite Americans in disproportionately great numbers and in a manner which this Nation cannot permit to continue. This situation has been seriously aggravated by a process of urbanization in which unskilled rural residents have migrated to central city areas even while many businesses and places of employment are leaving those areas. This migration of people and jobs is overwhelming current job training and job development programs in the urban centers and is undermining the economic potential of many rural areas of the Nation.

"(b) The Congress further finds that there is a critical need for more and better trained personnel in many vital occupational categories, including professional, scientific, technical, and public service occupations. At the same time there is a huge need for additional public services and public facilities in such fields as those which (1) contribute to the development of human potential, (2) better the conditions under which people live, learn, and work, and (3) aid in the development and conservation of natural resources.

"(c) The Congress hereby declares that the welfare and security of the Nation require a commitment by it to a policy and program devoted to the elimination of poverty and blight in the United States. An essential element in that program must be a comprehensive national manpower policy designed to assure to all citizens an opportunity for useful work and training which will promote self-sufficiency and enhance personal dignity. The policy to be followed in attaining the national manpower objective hereby established shall be founded upon the following principles:

"(1) that private enterprise has the basic responsibility and maximum ability to provide job training and employment;

"(2) that Government assistance should, in the first instance, be used to encourage private enterprise to serve more of the total need and to otherwise complement private effort through education, training, job development, upgrading skills, and other supportive assistance; and

"(3) that the residual responsibilities of Government shall include the development of meaningful employment opportunities in public service activities in order to fulfill critical needs and further to relieve unemployment.

The Congress further recognizes that there are numerous individuals who, by reasons of age, health, or other involuntary disability, cannot be helped through an employment or training program and for whom some form of income maintenance is necessary."

### JOB VACANCY AND LABOR SUPPLY INFORMATION

SEC. 102. Section 106 of the Manpower Development and Training Act of 1962 is amended to read as follows:

### "JOB VACANCY AND LABOR SUPPLY INFORMATION

"SEC. 106. (a) The Secretary of Labor is directed, using every appropriate facility, to develop, compile, and make available information regarding skill requirements, occupational outlook, job opportunities, labor supply in various skills, and employment trends on a National, State, area, or other appropriate basis which shall be used in the educational, training, counseling, and placement activities performed under this Act. In the administration of this Act, the Secretary shall give the highest priority to performing the duties prescribed by this section with particular emphasis on identifying and publishing those occupations, skills, industries, and geographic areas in which the supply of qualified workers is insufficient to meet existing and foreseeable future needs.

"(b) The Secretary is further directed to develop and establish a program for matching the qualifications of unemployed, underemployed, and low-income persons with employer requirements and job vacancies on a local, interarea, and nationwide basis. Such programs shall be designed to provide a quick and direct means of communication among local recruitment, job training and placement agencies and organizations, and between such agencies and organizations on an interarea and nationwide basis, with a view to the referral and placement of such persons in jobs. In the development of such a program, the Secretary shall establish a network utilizing electronic data processing and telecommunication systems for the storage, retrieval, and communication of job and worker information."

### AUTHORIZING A COMMUNITY SERVICE EMPLOYMENT PROGRAM, AN ECONOMIC OPPORTUNITY CORPORATION, AND AN EVALUATION BY THE COMPTROLLER GENERAL

SEC. 103. The Manpower Development and Training Act of 1962 is further amended by adding at the end thereof the following new titles:

## "TITLE IV—COMMUNITY SERVICE EMPLOYMENT PROGRAMS

### "PURPOSE

"SEC. 401. The purpose of this title is to provide meaningful public and private employment opportunities in community service occupations for unemployed and low-income residents of urban and rural poverty areas in order to meet severe problems of unemployment and underemployment, to prepare such persons for jobs in the private sector of the economy, to increase opportunities for local entrepreneurship through the creation of local service companies, and to meet critical national needs for community services.

### "DEFINITIONS

"SEC. 402. As used in this title—

"(1) 'Community service employment program' means a program designed primarily to provide public or private work and training opportunities to unemployed and low-income persons in the fields of health, public safety, education, recreation, streets, parks and municipal maintenance, housing and neighborhood improvement, conservation and rural development, beautification, and other fields of human betterment and community improvement.

"(2) 'Low-income' has the same meaning as provided by section 125 of the Economic Opportunity Act of 1964.

"(3) 'Local service company' means a corporation, partnership or other business entity organized to operate a community service employment program or component thereof and owned in substantial part by unemployed or low-income residents of one or more eligible areas.

"(4) 'Secretary' means the Secretary of Labor.

"(5) 'State' means each of the several States and the District of Columbia.

"(6) 'State agency' means the State agency designated by the Governor of the State or an officer chosen by him or by State law to develop and carry out the State plan for the purposes of this title.

### "AUTHORIZATION OF APPROPRIATIONS AND DISTRIBUTION OF FUNDS

"SEC. 403. (a) For the purpose of carrying out the provisions of this title there is hereby authorized to be appropriated the sum of $400,000,000 for the fiscal year ending June 30, 1969, and the sum of $500,000,000 for the fiscal year ending June 30, 1970.

"(b) From the sums appropriated for any fiscal year to carry out programs authorized under this title, the Secretary shall allot not less than 40 per centum among the States in accordance with criteria developed pursuant to section 130 of the Economic Opportunity Act of 1964, except that no State shall receive less than $1,000,000. Effective after June 30, 1969, that part of each State's allotment received pursuant to this subsection shall be available only for financial assistance to the State agency for use pursuant to a State plan approved under section 410, unless such State agency has not submitted a State plan prior to a date to be fixed by the Secretary, or the State plan is not approved by the Secretary.

"(c) The remainder of sums appropriated for any fiscal year to carry out programs authorized by this title shall be expended in accordance with such criteria as the Secretary may prescribe.

"(d) Funds allotted under this title for any fiscal year to a State for use by a State agency to carry out a State plan, which the Secretary determines are not required for the purposes for which such funds were allotted, shall be available to prime sponsors within such State for such community service employment programs as the Secretary determines will contribute to carrying out the purposes of this title.

"ELIGIBLE AREAS AND PRIME SPONSORS

"SEC. 404. (a) The Secretary shall define and designate all urban and rural areas containing high concentrations or proportions of unemployed or low-income persons as areas eligible for assistance under this title. He shall make such designations on a comprehensive basis and, wherever applicable, without regard to his intention or capacity to allocate funds to all such areas. A community program area designated under section 121 of the Economic Opportunity Act of 1964 shall be deemed to be an eligible area for the purposes of this title. An eligible area may be a city, county, multicity, or multicounty unit, an Indian reservation, or a neighborhood or other area (irrespective of boundaries or political subdivisions) which provides a suitable organizational base and possesses the commonality of interest needed for a community service manpower program. The Secretary shall consult with the heads of other Federal agencies responsible for programs relating to community action, manpower services, physical and economic development, small business development, housing, education, health, and other community services to encourage the establishment of coterminous or complementary boundaries for planning purposes among those programs and community service employment programs assisted under this title.

"(b) For each eligible area, the Secretary shall recognize a public or private nonprofit organization which shall serve as the prime sponsor to receive funds under section 405 (except as otherwise provided in section 405 (c)). A prime sponsor recognized under the provisions of section 122 of the Economic Opportunity Act of 1964 shall be deemed to be the prime sponsor for its eligible area for the purposes of this title.

### "FINANCIAL ASSISTANCE

"SEC. 405. (a) The Secretary is authorized to provide financial assistance to prime sponsors having a community employment plan approved by him pursuant to section 409 and an application approved by him pursuant to section 406, and to State agencies having a State plan approved by him pursuant to section 410 for the planning, conduct, administration and evaluation of community service employment programs.

"(b) Financial assistance under this section shall include, but not be limited to, programs and activities designed—

"(1) to provide jobs immediately to unemployed or low-income persons who are otherwise unable to obtain satisfactory employment;

"(2) to provide placement services and resources for such persons completing manpower training and antipoverty programs assisted by Federal funds, particularly programs under title II of this Act and under the Economic Opportunity Act of 1964;

"(3) to assure that persons employed in a community service employment program are provided opportunity for further education, training and necessary supportive services, including pretraining services, rehabilitative and preventive services for narcotic and alcoholic addicts, basic maintenance, transportation, health, family, day care, counseling, placement and other services, as may be necessary for them to participate in such program and to be prepared to gain regular competitive employment in the future;

"(4) to promote the establishment of local service companies and the use of service development organizations to encourage the establishment of such companies.

For purposes of providing education, training, and supportive services set forth in paragraph (3) of this subsection, funds appropriated under this title may be used to carry out such service programs under other titles of this Act and under other provisions of Federal law, by reimbursement to other Federal departments and agencies where appropriate, if the Secretary determines that such use of funds is the most effective method of providing such services. Financial assistance under this section may include loans for the purchase of supplies and equipment necessary to carry out community service employment programs.

"(c) The Secretary or the State agency may provide financial assistance to a public agency or private organization other than a prime sponsor to carry out one or more community service employment programs or components thereof whenever the Secretary or such agency determines, after soliciting and considering comments of the prime sponsor, if any, that such assistance would enhance program effectiveness or acceptance on the part of persons served and would serve the purposes of this part.

### "APPLICATIONS

"SEC. 406. The Secretary may provide financial assistance under this title only upon application by a State agency, pursuant to an approved State plan, a prime sponsor, pursuant to an approved community employment plan, or another eligible applicant which contains assurances satisfactory to the Secretary that the applicant will—

"(1) establish adequate administrative controls over programs to be assisted under this title;

"(2) establish effective and efficient personnel policies designed to serve the purposes of this title;

"(3) establish procedures for proper accounting of

Federal funds, necessary reporting, and evaluation of such programs;

"(4) carry out such other requirements and conditions as are set forth in this title.

"LOCAL SERVICE COMPANIES

"SEC. 407. (a) Whenever practicable, the Secretary and the State agencies shall encourage and give preference to applications under which community service employment programs are to be carried out on a contractual basis by local service companies. Such contracts may provide for financial incentives to be paid to such local service companies for satisfactory and superior performance of such programs.

"(b) In order to promote the establishment and development of local service companies on a self-sustaining basis, the Secretary is authorized, under the authority contained in section 405, to provide financial assistance to public agencies or private organizations to act as service development organizations. Such financial assistance may be provided for the costs of programs operated by service development organizations to assist in the establishment and maintenance of local service companies, including but not limited to the following:

"(1) planning and research, including feasibility studies and market research;

"(2) legal and technical assistance, business counseling, management and training assistance, assistance in obtaining contracts or subcontracts from public or private sources, and other related services, including the provision of business services on a centralized basis; and

"(3) financial assistance, including the provision of startup capital and assistance in securing performance or other bonds needed by the company or its employees.

A service development organization may, pursuant to regulations issued by the Secretary, be permitted to take a minority equity interest in a local service company and to deal with such a company on a franchise or other profit-making basis.

"(c) In developing local service companies and service development organizations, the Secretary and the State agencies may make use of services available from other Federal agencies and from private organizations, including appropriate private technical assistance organizations, in a contractual or other suitable basis.

### "PUBLIC SAFETY PROGRAMS

"SEC. 408. (a) The Secretary shall encourage the development of, and is authorized to, provide financial assistance under section 405 for community service employment programs in the field of public safety. Such programs may include the development of employment and training opportunities for community service officers and other support personnel in or under the supervision of police departments. Such officers and personnel may be full- or part-time employees who need not meet ordinary police standards for employment and who are or will be engaged in such activities as (i) recruitment of police personnel from eligible areas, (ii) improvement of police-community relations and grievance resolution mechanisms in such areas, (iii) community escort and patrol activities, (iv) encouragement of neighborhood participation in crime prevention and public safety efforts, and (v) other similar activities designed to improve police capabilities and public safety in eligible areas.

"(b) The Secretary and the Attorney General shall jointly prescribe regulations governing community service employment programs in the field of public safety and crime prevention.

### "CONSOLIDATION OF COMMUNITY SERVICE EMPLOYMENT PROGRAMS AND COMMUNITY EMPLOYMENT PLANS

"SEC. 409. (a) In order to promote consolidation and coordination of community service employment programs, the Secretary shall make arrangements, to the extent practicable, to assure that the prime sponsor in any eligible area receives all Federal funds available for community service employment programs in such area, including all such programs assisted under this title, section 432 of the Social

Security Act, and sections 123 and 502 of the Economic Opportunity Act of 1964 (except as otherwise provided in section 123 (c) of the Economic Opportunity Act of 1964). Where the area served by any program assisted under this Act is within an area covered by a comprehensive city demonstration plan under title I of the Demonstration Cities and Metropolitan Development Act of 1966, the prime sponsor and the city demonstration agency shall consult and coordinate on all matters affecting work and training aspects of the comprehensive city demonstration program.

"(b) The prime sponsor shall develop and carry out a community employment plan, which shall be part of any comprehensive work and training program for that area required under section 123 of the Economic Opportunity Act of 1964. A community employment plan shall establish priorities among community service needs, and funds received by the prime sponsor pursuant to this title for all community service employment programs shall be subject to and allocated according to such a plan approved by the Secretary.

"(c) Such plan shall be submitted to the Governor of the State or an officer designated by him or by State law for consideration in the development and implementation of the State plan, and no community employment plan shall be approved by the Secretary until the Governor or such officer has had a reasonable opportunity to submit to the Secretary his evaluation of that plan, including comments on the relationship of that plan to the State plan.

"(d) The prime sponsor shall provide for participation of employers, labor organizations, and residents of the eligible areas and members of the groups served in the planning and conduct of the community service employment programs.

"(e) Where a community service employment program is not to be operated by a local service company, the prime sponsor shall be encouraged to make use of public and private organizations as delegate agencies to operate such programs, including without limitation agencies governed with the participation of the poor and other residents of the neighborhoods or rural areas served, educational institutions, the public employment service, the public welfare agency, other health and welfare agencies, private training institutions, and other capable public and private organizations.

### "STATE PLANS

"SEC. 410. (a) (1) Any State desiring to receive financial assistance to carry out a State plan under this title shall (A) establish within its State agency a State manpower policy council (hereinafter referred to as the 'State council') which meets the requirements set forth in paragraph (2), (B) sets dates before which prime sponsors and other applicants must have submitted applications for financial assistance to the State agency, and (C) submit to the Secretary a State plan at such time and in such detail as the Secretary may deem necessary.

"(2) The State council shall—

"(A) be appointed by the State agency, and be broadly representative of the job training and employment resources of the State, including persons representative of (i) prime sponsors within the State, (ii) State and local public agencies operating or familiar with job training, vocational education, and employment programs, including the State employment service and the State department of education, (iii) private organizations operating or otherwise interested in such programs, including persons representative of business and labor, (iv) residents of the areas and persons served by programs assisted under this title, and (v) other appropriate groups and organizations;

"(B) develop and implement the State plan, including the development of criteria for approval of applications under the State plan;

"(C) upon timely request by an applicant, review and take final action upon the decision of the State agency to reject in whole or in part such applicant's submission for funding under the State plan;

"(D) evaluate programs and projects assisted under this title; and

"(E) prepare and submit through the State agency a report of its activities, recommendations, and evaluations, together with such additional comments as the State agency deems appropriate, to the Secretary at such times and in such form as he may prescribe.

"(3) The Secretary shall not approve a State plan, or modification thereof, unless he determines that such plan—

"(A) sets forth criteria for achieving an equitable distribution among eligible areas within the State of assistance under this title, which criteria shall be based on consideration of (i) the geographic distribution and density of the population in such areas, (ii) the concentrations or proportions of unemployed and low-income persons, (iii) the number and trends in the movement of job opportunities in private enterprise, and (iv) the movement of unemployed and low-income persons to and from such areas;

"(B) assists prime sponsors within the State in their responsibility of coordinating and consolidating community service employment programs within the areas served by such sponsors, and appropriately supports their community service employment plans, including through the provision of planning and technical assistance;

"(C) reflects satisfactory effort and achievement by the State in coordinating and consolidating community service employment programs assisted under this title with such programs assisted under other provisions of Federal law, including such programs under the Social Security Act;

"(D) provides for exchange of information and experience among programs conducted pursuant to the plan and for the adoption of effective procedures for evaluation of such programs and for the communication of the results of such evaluation to the Secretary;

"(E) provides that final action with respect to any application shall not be taken without first affording such applicant reasonable notice and opportunity for a hearing;

"(F) provides that not more than 25 per centum of the funds received by the State agency pursuant to this title shall be used to carry out community service employment programs operated by State agencies, and the remainder of such funds shall be distributed to prime sponsors, except as provided in section 405(c); and

"(G) otherwise conforms to the requirements of this title, including the preference to be granted pursuant to section 407 and to special conditions prescribed by section 411.

"(b) The Secretary may, if he finds after reasonable notice and opportunity for hearings that only a part of a State plan meets the requirements set forth in subsection (a) (3), approve that part of the State plan and provide to the State agency only that part of its allotment under this section as he determines is necessary to carry out the part of the plan so approved. The remainder of the amount which such State agency would be eligible to receive under this title shall be made available to prime sponsors and other applicants within the State by the Secretary.

"(c) The Secretary shall not finally disapprove any State plan submitted under this section, or any modification thereof, without first affording the State agency submitting the plan reasonable notice and opportunity for a hearing.

### "SPECIAL CONDITIONS AND LIMITATIONS

"SEC. 411. (a) The Secretary shall not provide financial assistance for any program under this title unless he determines, in accordance with such regulations as he may prescribe, that—

"(1) no participant will be employed on projects involving political parties, or the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship;

"(2) the program will not result in displacement of employed workers or impair existing contracts for services, or result in the substitution of Federal or other funds in connection with work that would otherwise be performed;

"(3) wages paid a participant shall not be lower than, whichever is the highest (A) the minimum wage which would be applicable to the employment under the Fair Labor Standards Act of 1938 if section 6 of such Act applied to the participant and he was not exempt under section 13 thereof, (B) the State or local minimum wage for the most nearly comparable covered employment, or (C) the prevailing rate of wages in the area for similar work; and

"(4) the program will, to the maximum extent feasible, contribute to the occupational development or upward job mobility of individual participants.

"(b) For programs assisted under this title related to physical improvements, preference shall be given to those improvements which will be substantially used by low-income persons and families in the areas served by the prime sponsor.

"(c) Programs approved under this title shall, to the maximum extent feasible, contribute to the elimination of artificial barriers to employment and occupational advancement, including civil service requirements which restrict employment opportunities for the disadvantaged.

"(d) Federal financial assistance to any program or activity authorized under this title and carried out by a public agency or private nonprofit organization shall not exceed 90 per centum of the cost of such program or activity, including costs of administration: *Provided,* That Federal financial assistance with respect to any participant in a program under this title who is an employee of a State or local public agency shall be progressively reduced from year to year with a view to increasing insofar as possible the financial contribution of such public agency. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

### "INDUSTRIAL EMPLOYMENT POOL

"SEC. 412. The Secretary shall establish procedures, pursuant to regulations issued by him, to give preference to qualified participants in community service employment programs assisted under this title for entry into programs operated by him offering on-the-job training and employment opportunities in the private sector.

### "ADMINISTRATION

"SEC. 413. (a) The Secretary shall provide for the administration of all community service employment programs under his jurisdiction within a single office or agency within the Department of Labor.

"(b) In administering the provisions of this Act the Secretary is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or private nonprofit agency or institution, in accordance with agreements between the Secretary and the head thereof.

"(c) The Secretary may make payments to any prime sponsor which has an application approved by him pursuant to section 406 and to any State agency which has a State plan approved by him under section 407 and to any other applicant eligible for financial assistance under this Act in installments and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments.

### "WITHHOLDING

"SEC. 414. Whenever the Secretary, after reasonable notice and opportunity for hearings finds that there has been a failure by a prime sponsor to comply substantially with any requirement set forth in the approved application or community employment plan of that sponsor entered into under this title, or by a State to comply substantially with any requirement set forth in the plan of that State approved under this title, or a failure by any applicant receiving assistance from a prime sponsor or State agency for the purpose of carrying out a program under this title to comply substantially with the requirements in its approved application, the Secretary shall notify the prime sponsor, State agency, or other applicant that further payments will not be made to the prime sponsor, State agency or other applicant under this title (or, in his discretion, that the prime sponsor, or State agency shall not make further payments under this title to agencies and organizations receiving assistance from it and affected by the failure) until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made to the prime sponsor, State agency, or other applicant under this title, or payments by the prime sponsor or State agency under this title shall be limited to agencies and organizations not affected by the failure, as the case may be.

### "EVALUATION AND REPORTS

"SEC. 415. (a) The Secretary shall provide for the continuing evaluation of programs under this title. He shall require recipients of financial assistance under this title to provide such data as may be necessary to evaluate the effectiveness of such programs, and he shall arrange for obtaining the opinions of participants about the strengths and weaknesses of such programs. He may contract for independent evaluations of programs and of selected individual projects assisted under this title. The results of such evaluation shall be included in the report required by this section.

"(b) Not later than the first day of March of each year, the Secretary shall prepare and submit to the President for transmittal to the Congress a full and complete report on the programs and activities assisted under this title.

## "TITLE V—ECONOMIC OPPORTUNITY CORPORATION

"Sec. 501. This title may be cited as the 'Economic Opportunity Corporation Act of 1968'.

### "FINDINGS AND PURPOSE

"Sec. 502. (a) The Congress hereby finds that—

"(1) conditions of rural and urban poverty and widespread urban blight threaten the general welfare and domestic security of the country and require an expanded dedication of effort and commitment of resources aimed at their elimination;

"(2) the major resources and strength of this country reside in the private sector of the Nation's economy and any successful effort to eliminate poverty and urban blight must involve a massive application of private resources;

"(3) a substantial number of individuals and organizations in the private sector, including business firms, labor unions, foundations, educational institutions, and professional and civic organizations, are willing to contribute to the solution of these problems, but their participation is often inhibited by the lack of any central source of information at the national and local levels about successful private initiatives, the unavailability of effective technical assistance, and a lack of seed money from private sources; and

"(4) the full and effective involvement of the private sector in the solution of these problems can be facilitated by the Federal Government, but the organization and control of this effort is best left with the private sector.

"(b) It is the purpose of this title to establish a private, nonprofit corporation to stimulate greater participation by the private sector—agencies, organizations, and individuals—in public and private manpower training and antipoverty programs by—

"(1) providing a central source for information and research on opportunities for private sector participation in such programs;

"(2) furnishing technical and financial assistance to private organizations and individuals in planning and carrying out such programs;

"(3) participating, on a contractual or other basis, in the development and implementation of governmental antipoverty programs with a view to encouraging an important and effective role therein by the private sector;

"(4) encouraging and coordinating efforts with private business firms to make available, on as expedited a basis as possible, training programs and employment opportunities designed to provide employment for unemployed and low-income persons and to assist such persons to develop their educational and employment potentialities to the maximum practicable extent;

"(5) encouraging the development of business ventures designed to provide needed products and services and to increase local business ownership in urban slum areas; and

"(6) developing, in conjunction with public and private organizations, methods of applying modern business management techniques to the solution of social problems, and otherwise encouraging increased participation by private enterprise in such programs and in providing needed public services.

### "CREATION OF CORPORATION

"SEC. 503. (a) There is hereby established a nonprofit Economic Opportunity Corporation (hereinafter referred to as the 'Corporation') which will not be an agency or establishment of the United States Government. The Corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Nonprofit Corporation Act. The right to repeal, alter, or amend this title is expressly reserved.

"(b) No part of the net earnings of the Corporation shall inure to the benefit of any private person, and it shall qualify as an organization described in section 501 (c) (3) of the Internal Revenue Code of 1954 which is exempt from taxation under section 501 (a) of such Code.

### "PROCESS OF ORGANIZATION

"SEC. 504. There is hereby established a Commission for the appointment of incorporators. The Commission shall be composed of the Vice President of the United States, who shall act as Chairman, the Speaker of the House of Representatives, the Director of the Office of Economic Opportunity, the Secretary of Labor, the Secretary of Commerce, and the majority leader and minority leader of the Senate and of the House of Representatives. The Commission shall meet within thirty days after the enactment of this title and shall appoint incorporators, by and with the advice and consent of the Senate, who shall serve as the initial Board of Directors until the first annual meeting of members or until their successors are selected and qualified. The incorporators shall take whatever actions are necessary to organize the Corporation, including the filing of articles of incorporation under the District of Columbia Nonprofit Corporation Act.

"DIRECTORS AND OFFICERS

"SEC. 505. (a) The Corporation shall have a Board of Directors consisting of fifteen individuals who are citizens of the United States, one of whom shall be elected annually by the Board to serve as Chairman. Five members of the Board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, for terms of three years except that (1) the terms of the directors first taking office shall be effective on the date on which other members of the Board are elected and shall expire as designated by the President at the time of appointment, one at the end of one year, two at the end of two years, and two at the end of three years after such date; and (2) any director so appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term. Ten members of the Board shall be elected annually by the members of the Corporation.

"(b) The Corporation shall have a President, and such other officers as may be named and appointed by the Board of Directors, at rates of compensation fixed by the Board, and serving at the pleasure of the Board. No individual other than a citizen of the United States may be an officer of the Corporation. No officer of the Corporation shall receive any salary from any source other than the Corporation during the period of his employment by the Corporation.

### "MEMBERSHIP IN THE CORPORATION

"SEC. 506. (a) Any person or organization may become a member of the Corporation by—

"(1) purchasing from the Corporation one or more of the debentures of the Corporation referred to in section 507 (a); or

"(2) donating to the Corporation money or property (taken at fair market value) in an amount or amounts to be determined by the Board, but in no event less than $100.

"(b) Each member shall be entitled to one vote regardless of the amount of debentures held by him or the amount donated by him to the Corporation.

"(c) Any donations to the Corporation shall qualify as charitable contributions within the meaning of section 170 of the Internal Revenue Code of 1954.

### "FINANCING OF THE CORPORATION

"SEC. 507. (a) The Corporation may issue such bonds, debentures, or other certificates of indebtedness at such times and on such terms and conditions as the Board may determine to be required for the fulfillment of the purpose of the Corporation.

"(b) The Secretary of the Treasury is authorized to make grants to the Corporation to assist it in meeting its organizational expenses and in carrying on its activities. There is authorized to be appropriated not to exceed $20,000,000 for the purpose of providing financial assistance under this subsection, except that $10,000,000 shall be made available to the Corporation at the time of its incorporation and additional amounts, not to exceed in aggregate $10,000,000 shall be made available from time to time to match donations or purchases of debentures made pursuant to section 506(a). Appropriations authorized under this subsection shall remain available until expended.

"ACTIVITIES AND POWERS OF THE CORPORATION

"SEC. 508. (a) In order to carry out the purposes of this title, the Corporation is authorized to—

"(1) establish an information and research center on how private individuals and organizations can participate in antislum and antipoverty projects, including information on existing government programs and incentives and on promising privately sponsored projects, and including research on new governmental and private incentives or forms of organization which would be helpful;

"(2) organize educational programs, including the use of conferences and mailings, to disseminate information in order to encourage private individuals, agencies, organizations, and business enterprises to participate in antislum and antipoverty activities;

"(3) provide technical assistance to public and private agencies and organizations in the planning and operation of programs and projects including advising representatives of the United States Government concerning effective means of encouraging the participation of the private sector in such programs and projects;

"(4) participate and coordinate on a contractual or other basis in Government programs in support of the purposes of this title, including programs providing reimbursements, tax credits, or other incentives to private employers to encourage the training and employment of unemployed and low-income persons;

"(5) stimulate the establishment of, invest in, and operate new and existing business enterprises which, by reason of their location, employment effect, or products or services produced, would ameliorate conditions of poverty and urban blight, including new business enterprises operated for profit by the Corporation as well as enterprises which would be owned by existing firms or by other organizations or individuals;

"(6) establish one or more subsidiary corporations, including one or more corporations which qualify as small business investment companies under title III of the Small Business Investment Act of 1958 (15 U.S.C. 681 et seq.), to invest in or operate such new business enterprises;

"(7) provide technical and financial assistance to private lending institutions and other private organizations in order to stimulate the provision of capital to new and existing enterprises located in urban areas of high concentration of low-income persons or owned by low-income persons;

"(8) develop in conjunction with public and private agencies and organizations methods for the application of modern business management techniques to the solution of social problems, and otherwise encourage the participation of private agencies and organizations in providing needed public services;

"(9) establish and support new and existing private organizations at the State and local levels designed to carry out the purposes of this title and to mobilize their communities to support antislum and antipoverty programs; and

"(10) carry on such other activities as would further the purposes of this title.

"(b) In the performance of the functions set forth in subsection (a), the Corporation is authorized to—

"(1) enter into such contracts, leases, cooperative agreements, or other transactions as the Board of Directors deems appropriate to conduct the activities of the Corporation;

"(2) charge such fees as the Board of Directors deems reasonable and appropriate;

"(3) carry out its activities, wherever desirable, on an areawide, State, or local basis through such entities as the Board of Directors deems appropriate;

"(4) accept and use, either with or without reimbursement as the case may be, such services, equipment, and facilities of agencies of the Federal Government, State governments, or other local political subdivisions as are necessary to conduct the activities of the Corporation efficiently, and such Federal agencies are authorized to provide, with or without reimbursement, such services, equipment, and facilities to such Corporation;

"(5) receive grants and other financial assistance from the United States and from State and local governments, foundations, corporations, and other organizations and individuals, to carry out activities consistent with the purposes of this title; and

"(6) exercise all powers conferred upon a nonprofit corporation by the District of Columbia Nonprofit Corporation Act.

### "REPORTS TO THE CONGRESS

"SEC. 509. The Corporation shall transmit to the President and Congress, annually and at such other times as it deems desirable, a comprehensive and detailed report of its operations, activities, and accomplishments under this title.

## "TITLE VI—EVALUATION AND OVERSIGHT STUDY BY THE COMPTROLLER GENERAL

### "EVALUATION AND OVERSIGHT STUDY

"SEC. 601. (a) The Comptroller General of the United States (hereinafter referred to as the 'Comptroller General') is authorized and directed to conduct a continuing evaluation of all job training, work experience, and employment programs conducted or financially assisted by the United States and to otherwise assist the Congress in its legislative oversight functions with respect to such programs.

"(b) The evaluation conducted pursuant to this title shall include—

"(1) an analytical and statistical breakdown of unemployment and underemployment in the Nation, including information on the relative incidence of such problems in specific age, racial, and other relevant groups and in different geographical locations;

"(2) a comparison of the relative costs and benefits of different types of training and employment programs, including such a comparison between—

"(A) institutional and on-the-job training,

"(B) different types of institutional and on-the-job training,

"(C) training for job entry and for job advancement, and

"(D) job development programs in community service activities and in regular competitive employment;

"(3) an evaluation of job upgrading programs and of the relative importance of such programs compared to other training and employment programs designed to obtain meaningful employment for hard-core unemployed persons;

"(4) an evaluation of the degree of coordination between different job training and employment programs at the Federal, State, and local levels, and between such programs and other governmental programs closely associated with them, including programs under the Demonstration Cities and Metropolitan Development Act of 1966;

"(5) an evaluation of the degree of effective support provided by the Federal-State employment service system to job training and employment programs for unemployed and low-income persons; and

“(6) an evaluation of the administration and management by Federal departments and agencies of job-training and employment programs.

“(c) The Comptroller General shall assist the Congress in its legislative oversight function with respect to all job training, work experience and employment programs conducted or financially assisted by the United States by—

“(1) reporting to the Congress at least annually on the efforts and progress made by Federal departments and agencies in complying with and implementing (A) legislation authorizing or extending such programs enacted within the two-year period prior to the issuance of such report, and (B) instructions contained in the reports of relevant committees of the Congress with respect to such legislation; and

“(2) performing such other oversight functions as the Congress may require.

### “REPORTS

“SEC. 602. The Comptroller General shall make such interim reports as he deems advisable, and, not later than sixty days after the beginning of each calendar year, he shall submit to the Congress a complete report on his activities under this title, including a detailed statement of his findings and conclusions together with such recommendations, including recommendations for additional legislation as he deems advisable.

"POWERS OF THE COMPTROLLER GENERAL

"SEC. 603. (a) The Comptroller General or, on the authorization of the Comptroller General, any officer of the General Accounting Office, may, for the purpose of carrying out the provisions of this title, hold such hearings, take such testimony, and sit and act at such times and places as he deems advisable. Any officer designated by the Comptroller General may administer oaths or affirmations to witnesses appearing before the Comptroller General or such designated officer.

"(b) Each department, agency, and instrumentality of the executive branch of the Government, including independent agencies, is authorized and directed to furnish to the Comptroller General, upon request made by him, such information as he deems necessary to carry out his functions under this title.

"(c) The Comptroller General is authorized—

"(1) to appoint and fix the compensation of such staff personnel as he deems necessary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter

III of chapter 53 of such title relating to classification and General Schedule pay rates, and

"(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $100 a day for individuals.

"(d) The Comptroller General is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of his duties under this title.

### "AUTHORIZATION

"SEC. 604. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title."

### TECHNICAL AMENDMENTS

SEC. 104. (a) Section 302 of the Manpower Development and Training Act of 1962 is amended by inserting a comma and "other than titles IV, V, and VI," immediately after "this Act".

(b) Section 308 of such Act is amended by inserting "other than titles IV, V, and VI," immediately after "this Act,".

90th CONGRESS
2d Session

# S. 3249

IN THE SENATE OF THE UNITED STATES

March 28 (legislative day, March 27), 1968

Referred to the Committee on Labor and Public Welfare and ordered to be printed

# AMENDMENT

Intended to be proposed by Mr. Javits (for himself, Mr. Allott, Mr. Brooke, Mr. Case, Mr. Cooper, Mr. Hansen, Mr. Hatfield, Mr. Kuchel, Mr. Morton, Mr. Pearson, Mr. Percy, Mr. Prouty, and Mr. Scott) to S. 3249, a bill to provide a comprehensive national manpower policy, to improve the Manpower Development and Training Act of 1962, to authorize a community service employment program, and for other purposes, viz: Insert at the end thereof the following new title:

## TITLE II—PRIVATE INDUSTRY EMPLOYMENT INCENTIVES

### SHORT TITLE

Sec. 201. This title may be cited as the "Employment Incentive Act of 1968".

**Amdt. No. 679**

## DECLARATION OF PURPOSE

SEC. 202. It is the purpose of this title to provide an incentive to American business to invest in the improvement of the Nation's human resources by hiring, training, and employing presently unemployed and underemployed workers lacking needed job skills.

## ALLOWANCE OF TAX CREDIT

SEC. 203. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by renumbering section 40 as section 41, and by inserting after section 39 the following new section:

**"SEC. 40. WAGES OF DISADVANTAGED EMPLOYEES.**

"(a) GENERAL RULE.—There shall be allowed, as a credit against the tax imposed by this chapter, the amount determined under subpart C of this part.

"(b) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart C."

(b) Part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by adding at the end thereof the following new subpart:

## “Subpart C—Rules for Computing Credit for Wages of Disadvantaged Employees

“Sec. 51. Amount of credit.
“Sec. 52. Definitions; special rules.

### “SEC. 51. AMOUNT OF CREDIT.

“(a) DETERMINATION OF AMOUNT.—

“(1) GENERAL RULE.—The amount of the credit allowed by section 40 for the taxable year shall be equal to the sum of—

“(A) 75 percent of the qualified wages paid to, or with respect to, each disadvantaged employee for services performed during the first six months of employment of each such employee,

“(B) 50 percent of the qualified wages paid to, or with respect to, each disadvantaged employee for services performed during the second six months of employment of each such employee, and

“(C) 25 percent of the qualified wages paid to, or with respect to, each disadvantaged employee for services performed during the second year of employment of each such employee.

“(2) LIMITATION BASED ON AMOUNT OF TAX.—Notwithstanding paragraph (1), the credit allowed by section 40 for the taxable year shall not exceed—

"(A) so much of the liability for the taxable year as does not exceed $25,000, plus

"(B) 50 percent of so much of the liability for tax for the taxable year as exceeds $25,000.

"(3) LIABILITY FOR TAX.—For purposes of paragraph (2), the liability for tax for the taxable year shall be the tax imposed by this chapter for such year, reduced by the sum of the credits allowable under—

"(A) section 33 (relating to foreign tax credit),

"(B) section 35 relating to partially tax exempt interest),

"(C) section 37 (relating to retirement income, and

"(D) section 38 (relating to investment in certain depreciable property).

For purposes of this paragraph, any tax imposed for the taxable year by section 531 (relating to accumulated earnings tax) or by section 541 (relating to personal holding company tax) shall not be considered tax imposed by this chapter for such year.

"(4) MARRIED INDIVIDUALS.—In the case of a husband or wife who files a separate return, the amount specified under subparagraphs (A) and (B) of paragraph (2) shall be $12,500 in lieu of $25,000. This paragraph shall not apply if the spouse of the taxpayer has no paid qualified wages for, and has no unused credit carryback or carryover to, the taxable year of such spouse which ends within or with the taxpayer's taxable year.

"(5) AFFILIATED GROUPS.—In the case of an affiliated group, the $25,000 amount specified under subparagraphs (A) and (B) of paragraph (2) shall be reduced for each member of the group by apportioning $25,000 among the members of such group in such manner as the Secretary or his delegate shall by regulations prescribe. For purposes of the preceding sentence, the term 'affiliated group' has the meaning assigned to such term by section 1504 (a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1504 (b))."

"(b) CARRYBACK AND CARRYOVER OF UNUSED CREDIT.—

"(1) ALLOWANCE OF CREDIT.—If the amount of the credit determined under subsection (a) (1) for any taxable year exceeds the limitation provided by subsection (a) (2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be—

"(A) a disadvantaged employee wage credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) a disadvantaged employee wage credit carryover to each of the 7 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 40 for such years, except that such excess may be a carryback only to a taxable year ending after the date of the enactment of the Human Investment Act of 1968. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 10 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 9 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) LIMITATION.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a) (2) for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a) (1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to the taxable years preceding the unused credit year.

**"SEC. 52. DEFINITIONS; SPECIAL RULES.**

"(a) DISADVANTAGED EMPLOYEE.—

"(1) IN GENERAL.—For purposes of this subpart, the term 'disadvantaged employee' means an individual certified by the Secretary of Labor (or by an agency or organization designated by him), prior to his employment by the taxpayer, as an unemployed or underemployed individual who meets the requirements and conditions prescribed by the Secretary of Labor under paragraph (2), except that such term does not include any individual receiving training from the taxpayer under a federally assisted on-the-job training program, including any such program under the Manpower Development and Training Act of 1962 or the Economic Opportunity Act of 1964.

"(2) REQUIREMENTS AND CONDITIONS.—The Secretary of Labor shall prescribe the requirements and conditions which must be met by an unemployed or underemployed individual to be eligible for certification for purposes of paragraph (1).

"(3) RULES AND REGULATIONS.—The Secretary of Labor is authorized to prescribe such rules and regulations as may be necessary to carry out his functions and duties under paragraphs (1) and (2). In performing his functions and duties under this subsection, the Secretary of Labor shall consult with the Board of Directors of the Economic Opportunity Corporation.

"(b) QUALIFIED WAGES.—For purposes of this subpart, the term 'qualified wages' means the compensation paid to an employee for personal services rendered by him, and the cost of benefits accruing to an employee and paid or incurred by an employer by reason of the employment relationship, but only if the rate of compensation paid to such employee for personal services rendered by him equals or exceeds whichever of the following is the highest:

"(1) the minimum wage which would be applicable under the Fair Labor Standards Act of 1938 if section 6 of such Act applied to the employee and he was not exempt under section 13 thereof,

"(2) the minimum wage, if any, prescribed by State or local law for the most nearly comparable covered employment, or

"(3) the prevailing rate of wages in the area for the same or similar personal services.

Upon request of the Secretary or his delegate, the Secretary of Labor shall determine whether the compensation paid to any employee for personal services meets the requirement of the preceding sentence.

"(c) LIMITATION ON NUMBER OF DISADVANTAGED EMPLOYEES.—For purposes of this subpart, the number of disadvantaged employees of any employer which may be taken into account for any pay period shall not exceed—

"(1) in the case of an employer of 10 or less employees, 50 percent of the total number of employees,

"(2) in the case of an employer of more than 10 but less than 101 employees, 25 percent of the total number of employees, and

"(3) in the case of an employer of 101 or more employees, 15 percent of the total number of employees.

"(d) EARLY TERMINATION OF EMPLOYMENT.—For purposes of this subpart, the qualified wages paid to, or with respect to, a disadvantaged employee—

"(1) during the first six months of his employment shall not be taken into account if he ceases to be an employee of the taxpayer before the end of such six-month period,

"(2) during the second six months of his employment, if he ceases to be an employee of the taxpayer before the end of such six-month period, and

"(3) during the second year of his employment, if he ceases to be an employee before the end of such year.

The preceding sentence shall not apply with respect to a disadvantaged employee who ceases to be an employee of the taxpayer because of death or disability.

"(e) REGULATIONS.—The Secretary of the Treasury or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this subpart."

### TECHNICAL AND CLERICAL AMENDMENTS

SEC. 204. (a) The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Wages of disadvantaged employees.
"Sec. 41. Overpayments of tax."

(b) The table of subparts for part IV of subchapter A of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Subpart C. Rules for computing credit for wages of disadvantaged employees."

(c) Section 381(c) of such Code (relating to items taken into account in certain corporate acquisitions) is amended by adding at the end thereof the following new paragraph:

"(24) CREDIT UNDER SECTION 40 FOR WAGES OF DISADVANTAGED EMPLOYEES.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and section 40, and under such regulations as may be prescribed by the Secretary or his delegate) the items required to be taken into account for purposes of section 40 in respect of the distributor or transferor corporation."

EFFECTIVE DATE

SEC. 205. The amendments to the Internal Revenue Code of 1954 made by this title shall apply to taxable years ending after the date of the enactment of this Act.

# URBAN EMPLOYMENT OPPORTUNITIES DEVELOPMENT ACT OF 1967 (SENATOR KENNEDY OF NEW YORK)

## Section-by-Section Summary

### SECTION 1—SHORT TITLE

This Act shall be cited as the "Urban Employment Opportunities Development Act of 1967".

### SECTION 2—PURPOSE

The purpose of this Act is to provide tax and other incentives for private industry to create new employment opportunities for residents of urban poverty areas. Incentives shall be granted to persons conducting or proposing to conduct an industrial or commercial enterprise through a new, or expanded, facility in an urban poverty area. But such incentives shall not be granted where, (1) the establishment of such a facility in the poverty area will cause increased unemployment in some other area where the business conducts operations, or (2) the facility is being established to replace a facility of the industrial or commercial enterprise located in some other area.

Title I of the Act defines the type of businesses which qualify for tax and other incentives and establishes certification procedures. Title II amends the Internal Revenue Code to provide the relevant tax incentives. Title III amends the Manpower and Development Training Act of 1962 to ensure adequate traininng for those low-income persons who will be hired by certified businesses.

### SECTION 3—DEFINITIONS

This section defines the various terms used primarily in Titles I and III of the Act. An "urban poverty area" is defined as an area, within a standard metropolitan statistical area of at least 250,000 persons (for a further explanation of this definition, see Appendix I) which the Census Bureau has determined to be a poverty area at the request of the Office of Economic Opportunity, subject to additions and deletions regarded as appropriate by the Secretary of Housing and Urban Development after consultation with the Secretary of Labor and the Secretary of Commerce.

It also includes areas of comparable poverty to be designated by the Bureau of the Census in any other urban place—as defined by the Bureau of the Census—at the direction of the Secretary of Housing and Urban Development. Finally, it includes specific Indian reservations designated by the Secretary of the Interior.

The definition of "industrial or commercial enterprise" includes (a) a business which manufactures, produces, processes, or assembles personal property, or (b) a business which sells or leases or stores, handles or transports personal property for other businesses or (c) a business which constructs building for ale, or as a contractor, in an urban poverty area. The definition excludes retail businesses and businesses which engage in the sale, leasing or renting out of real property, the lending of money, or the extending of credit.

The definition of "industrial or commercial facility" means a fixed place of business—such as a factory, a warehouse, an office, or a place of management and any number of urban poverty area construction sites—in which an industrial or commercial enterprise is carried on. It does not include a "retail facility" which in turn is defined as a store or premises or portion of premises where a substantial percentage of the goods are sold to the general public and not to other businesses for use in their operations.

The term "qualified jobs" is defined as the employment positions which did not exist prior to the time that the enterprise requested certification from the Secretary of Housing and Urban Development and which were then created either at the certified facility or for furnishing certain services primarily to such facility.

The term "low-income person" is defined as an individual earning less than the amount needed to support himself and his family adequately. The Secretary of Housing and Urban Development, shall, after consultation with the Secretary of the Department of Labor, designate the qualifying earnings levels for various urban areas.

## Title I—Eligibility for Assistance

### SECTION 301—CERTIFICATION OF ELIGIBILITY

The Secretary of Housing and Urban Development after consultation with the Secretary of Labor and the Secretary of Commerce shall issue a certificate of eligibility for benefits under this Act to any person engaged in, or who proposes to engage in, an industrial or commercial enterprise in an urban poverty area when six conditions have been met.

First, the city in which such urban poverty area is located must give written notice to the Secretary that it wishes to participate in the program provided for in this Act.

Second, the city must approve the industrial or commercial applicant as a participant in the program and certify this fact to the Secretary. Such certification shall only be granted after public hearings at which residents of the urban poverty area have an opportunity to testify.

Third, the person engaged in the enterprise must agree, in a manner prescribed by the Secretary, (A) to locate a facility within the urban poverty area on a site, and within a period of time, specified by the city; (B) to provide at least fifty qualified jobs (reduced to twenty-five for cities of under 50,000 persons and Indian reservations) of which at least two-thirds are to go to low-income individuals who have resided in the poverty area for at least six months or to other unemployed low-income individuals (Whether the enterprise creates 50 or 100 or 1,000 jobs, two-thirds of them must go to such qualified low-income individuals.); (C) to pay wages that meet the prevailing minimum rates for persons employed in similar work in the city or locality, as determined by the Secretary of Labor; and (D) to maintain records concerning all full-time employees regarding their residences and hiring dates, their employment and economic status at the time of hiring, and any other information required by the Secretary of Housing and Urban Development, and to keep records showing what income or losses can be allocated to this facility rather than to other facilities comprising the same business or run by the same person but not having a preferred status.

Fourth, the Secretary must determine that the city will carry out an adequate program for relocating individuals, families, businesses, and nonprofit organizations displaced by industrial or commercial facilities induced to come into the area under this Act.

Fifth, the Secretary must determine that the person obtaining the certificate is establishing a reasonable ratio of capital investment to jobs created.

Sixth, the Secretary must determine that the person obtaining the certificate is not violating the relocation policies set forth in Section 2 of this Act, and causing unemployment in another area to create jobs in an urban poverty area.

For any person who wishes to operate more than one industrial or commercial facility in one or more urban poverty areas, and Secretary is instructed to ensure that each such facility conforms to the requirements of this Act and to issue a separate certificate covering each of these facilities.

The Secretary shall issue a certificate of eligibility under this Act for a successor in interest to any person operating a certified industrial or commercial facility if three requirements are met: (1) the successor has been approved and certified by the appropriate city agency; (2) such person agrees to continue the industrial or commercial facility and to conform to the conditions set forth in the original certificate; and (3) the issuance of such certificate is in accordance with the industrial relocation policies set forth in Section 2 of this Act.

The Secretary shall terminate a certificate of eligibility whenever he determines, after a hearing, that an enterprise has failed, after due notice and a reasonable opportunity, to continue meeting the conditions set forth in the original certificate. In making such a determination, the Secretary shall be guided by the following considerations. A reduction in the number of new or additional employment opportunities below the minimum specified in the Act shall not serve as grounds for ending eligibility under this Act if the Secretary determines that business or economic factors beyond the enterprise's control necessitated such a reduction, and finds that not less than two-thirds of the full-time workers employed at qualified jobs continue to meet the low-income or low-income and residency requirements specified in this Act. At the same time, a change in residence of any employee meeting the requirements at the time of hiring, shall not serve as grounds for termination of the enterprise's certificate of eligibility.

This section also provides that any industrial or commercial buildings for which a certificate of eligibility is issued shall conform to such standards of design and construction as the Secretary may require to insure safe, sanitary, and aesthetically pleasing places of employment.

Finally, the section provides that a person shall not be issued a certificate of eligibility unless his application is received by the Secretary before ten years have passed from the date on which this Act goes into effect.

### SECTION 102—REPORTS

The Secretary may require any recipients of certificates of eligibility to file such reports as he may deem necessary to carry out his functions under this Act. Whoever makes an intentially false statement of a material fact in any such report shall be subject to criminal penalties.

### SECTION 103—RELOCATION ASSISTANCE

An adequate relocation program for those persons, businesses and nonprofit associations dislocated under this Act must meet the following criteria. First, the Secretary shall determine that any persons being displaced are assured of decent, safe, and sanitary housing at reasonable rentals and reasonably near their places of work. Second, such individuals or families shall receive up to $200 in moving expenses and up to $100 as a dislocation allowance. If the person or family buys a dwelling place, then an additional payment of $300 shall be made. Third, any low-income family or elderly or handicapped person shall receive monthly payments for up to 24 months, not to exceed $500 in each of the two years, to assist them in obtaining decent dwelling units. The payments shall equal the difference between 20 percent of income and the rental required for a decent housing unit in an area not less desirable than the one being vacated. Such payments shall not, however, be made to an individual or family which secures a dwelling unit in a specified low rent Federal, State, or local housing project. Fourth, a displaced business concern or nonprofit association shall secure its reasonable and necessary moving expenses and payments for direct property losses (not including good-will or profits) not otherwise compensated for through the purchases of the enterprise's facility. An additional $2,500 shall be paid to a private business having average annual net earnings of less than $10,000 a year, if such concern is not part of a larger business enterprise having other establishments than the one being displaced.

The Secretary of Housing and Urban Development is authorized to make all necessary grants to cities participating in this program to defray the costs of providing relocation payments to families, businesses, and nonprofit associations displaced because of the establishment of a certified industrial or commercial facility. The necessary funds to carry out this relocation program are authorized to be appropriated.

### SECTION 104—BUREAU OF CENSUS DESIGNATION

The Bureau of the Census shall prepare additional maps—as directed by the Secretary of Housing and Urban Development—of poverty areas in urban places to supplement those maps already prepared for poverty areas in standard metropolitan statistical areas of over 250,000 in population.

## TITLE II—TAX INCENTIVES

### SECTION 201

Chapter I of the Internal Revenue Code is amended to include a new series of provisions providing for a tax credit for certain qualifying businesses.

### A. SECTION 40—INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY IN URBAN POVERTY AREAS

Any person engaged in an industrial or commercial enterprise, obtaining certification under this Act, who establishes or conforms a certified facility in an urban poverty area to standards set by the Secretary of Housing and Urban Development shall be entitled to certain specified tax credits. (In general, the tax credit provisions of this Act conform to those found in the existing Investment Tax Credit Act.)

### B. SECTION 51—AMOUNT OF CREDIT

The credit shall be 7% of the qualified expenditures for real property and 10% of the qualified expenditures for personal property. (In regard to personal property, this credit supersedes the existing provisions under the Investment Tax Credit Act.) The credits for any taxable year, shall not exceed the taxpayer's tax liability for that year.

If any permissible credits under this section are not used, they may be carried back for 3 taxable years and forward for 10 taxable years. The carryback or carry forward must be to the earliest possible year first. A carryback cannot, however, be made to a taxable year ending before the date on which this Act is enacted. (The reason for allowing a longer carryback and carryover period is to lend assistance to any businessman who encounters a few years of economic hardship because of urban poverty area problems.)

In each carryback or carryover year, all available credits cannot exceed the taxpayer's tax liability.

### SECTION 52—CERTAIN DISPOSITIONS, ETC., OF SECTION 40 PROPERTY

A person who has received certification and has established an industrial or commercial facility in an urban poverty area cannot dispose of real property and personal property for which credits have been taken under this Act for 10 and 4 years respectively without a loss of benefits. If such an early disposition is made, all credits taken for this property during those stipulated years shall be recoverable by the Federal government.

If a person's certificate is terminated by the Secretary of Housing and Urban Development, then the credits that he has taken during the 3 prior taxable years shall be recoverable by the Federal government. In addition, the special deduction for wages under section 183, during the taxable year of termination and the two preceding taxable years, is recovered.

In the case of a termination or an impermissible disposition which leads to a recovery, all carrybacks and carryovers shall be accordingly adjusted.

Certain involuntary dispositions shall not be considered as violative of these provisions. Thus transfers because of death or because the business changes its form or dispositions because of an unforseen casualty or because the facility must cease operations due to uncontrollable economic factors shall not necessitate a penalty.

### SECTION 53—DEFINITIONS; SPECIAL RULES

This section defines various terms for purposes of the Internal Revenue Code.

"Section 40 certificate" is defined as a certificate of eligibility issued by the Secretary of Housing and Urban Development under this Act to a qualifying business.

"Section 40 property" is that type of property which qualifies under this Act for tax credits and rapid depreciation. It is defined as depreciable property which is not part of inventory or held for sale to customers in the ordinary course of trade or business and which, at the time it is first used by a taxpayer who has been issued a certificate of eligibility, has—in the case of personal property—a useful life of at least 4 years, and—in the case of real property—a useful life of at least 10 years. Moreover, the property must either be used as the facility, or as an integral part of it or in its operations, or in furnishing such services as transportation, communications, electrical energy, gas, water, or sewerage disposal primarily to the facility. It cannot, however, be property which is used after acquisition by a taxpayer or a related party who also used it before such acquisition.

"Section 40 real property" is section 40 property defined by reference to section 1250(c) and "section 40 personal property" is section 40 property defined by reference to section 1245(b).

A "section 40 facility" means an industrial or commercial facility which has been specified in a certificate issued by the Secretary of Housing and Urban Development.

A "section 40 business" is defined as an industrial or commercial enterprise that has been issued a certificate of eligibility to operate a facility in an urban poverty area.

The term "qualified expenditure" is defined as an expenditure made during the 10 year certification period that is chargeable to capital account and is paid or accrued for the manufacture, production, construction, erection, acquisition, reconstruction, permanent improvement, or betterment of section 40 property.

If the expenditure is made on real property, then the property—whether it be constructed or reconstructed, erected or permanently improved, acquired or bettered—must be made to conform to the standards set under this Act by the Secretary of Housing and Urban Development.

A qualified expenditure shall be deemed made only in the taxable year in which the manufactured, produced, constructed, erected or acquired section 40 property or the section 40 property as reconstructed, improved, or bettered is placed in service. Property shall be considered placed in service when it first becomes subject to daily depreciation. A qualified expenditure made to obtain property as a replacement for property lost or destroyed due to a casualty shall be reduced by a sum equal to the amount received by the taxpayer through insurance or otherwise as compensation for the lost or destroyed property.

Section 53 also establishes certain rules for dealing with the credits established by this Act. In subsection (b), it provides that a lessor may pass the credit for section 40 property on to his lessee. The amount on which the credit is to be figured shall be either the fair market value of the property or, in the case of a transaction between corporations which are members of an affiliated group, the basis of such property to the lessor. If the lessor makes this election, the lessee shall be treated as having acquired such property and the property shall have a useful life equal to the life over which the lessee may depreciate or amortize it.

In subsections (e) and (f), the credits provided for in this Act are dealt with as they relate to Subchapter S corporations and estates and trusts. For any Subchapter S corporation, all qualified expenditures are apportioned pro rata to its shareholders and each shareholder is then treated as the taxpayer with respect to such expenditures. Qualified expenditures made by an estate or trust are allocated between the estate or trust and the beneficiaries on the basis of the income normally allocable to each. Any beneficiary is treated as the taxpayer with respect to all such apportioned expenditures.

The remainder of section 53 deals with cross references and conforming amendments to ensure that these new provisions will be consistent with all other sections of the Internal Revenue Code. Thus, it is provided that if property is subject to credits under this Act, it cannot also be treated as section 38 property for purposes of obtaining an ordinary investment credit applicable to property held by other non-qualifying businesses.

### SECTION 202—DEPRECIATION DEDUCTION

Section 167 of the Internal Revenue Code is amended to provide that at the election of the taxpayer, the useful life of any section 40 property and the guideline class lives of any section 40 property shall be reduced to 66⅔ percent of the useful life or guidelines class lives normally applicable to such property.

In justifying class lives for section 40 property the taxpayer who makes an election under this section shall be deemed—for purpose of meeting any reserve ratio test—to have utilized class lives equal to 150 percent of those normally applicable to such property.

In determining the salvage value of all section 40 property for which an election has been made, the useful life of the property shall be deemed that life applicable to such property in the absence of this section.

Elections under this section can only be made for property placed in service during the 10 year certification period provided for in this Act.

### SECTION 203—NET OPERATION LOSS CARRYOVERS

Section 172 of the Internal Revenue Code is amended to provide a 10 year carryover period—as compared to the present 5 year period—for all losses allocable to the operation of an industrial or commercial facility by a certified section 40 business and sustained during the 10 year certification period. All determinations concerning the allocation of losses shall be made pursuant to regulations issued by the Secretary of the Treasury under section 482 of the Internal Revenue Code and modified as may be necessary to conform to the purposes of this Act.

### SECTION 204—SPECIAL DEDUCTIONS FOR SALARIES AND COMPENSATION PAID

Chapter 1 of the Internal Revenue Code is amended to provide an additional deduction for certain qualifying businesses.

### SECTION 183—SPECIAL DEDUCTION FOR CERTAIN BUSINESSES OPERATING IN URBAN POVERTY AREAS

A person operating a certified section 40 business shall be permitted an additional deduction equal to 25 percent of the compensation paid or incurred in money to the low-income, unemployed, or low-income, poverty area, workers whom he is required to hire under this Act. Such workers must be located at the facility or must be involved in furnishing transportation, communications, electrical energy, gas, water, or sewage disposal primarily to such facility. This special deduction shall be in effect during the 10-year certification period.

### SECTION 205—EFFECTIVE DATE

The amendments added to the Internal Revenue Code by this Act shall apply to taxable years ending after the date that this Act is enacted.

## TITLE III—TRAINING ASSISTANCE FOR INDUSTRIES LOCATING IN URBAN POVERTY AREAS

### SECTION 301

Title II of the Manpower Development and Training Act of 1962 is amended by adding the following new part, Part D, "Training Assistance For Industries Locating in Urban Poverty Areas."

### SECTION 251—GENERAL RESPONSIBILITY

The Secretaries of Labor and of Health, Education and Welfare, in consultation with the Secretary of Housing and Urban Development, are authorized to provide a supplementary program of training and training allowances for those individuals to be employed by certified businesses under this Act.

The Secretaries shall carry out the program by determining the occupational needs of those who are to be employed by any certified business and then provide them with training and training allowances. The allowances shall not exceed those normally provided under other Manpower Development and Training programs either in amount or duration. The training itself can be carried out by the certified business if the Secretaries of Health, Education and Welfare and of Labor decide that this is appropriate.

### SECTION 252—PRIORITY

To the extent practicable, the Secretary of Labor shall give priority to the training of individuals needed for certified businesses under this Act.

### SECTION 302—APPROPRIATIONS AUTHORIZED

Section 304 of the Manpower Development and Training Act of 1962 is amended to authorize an appropriation not in excess of $20,000,000 for the fiscal year ending June 30, 1968 and such amounts as may be necessary for each fiscal year thereafter.

### SECTION 303—EFFECTIVE DATE

The amendments made by this title shall take effect July 1, 1967.

90th CONGRESS
1st Session

# S. 2088

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IN THE SENATE OF THE UNITED STATES

July 12, 1967

Mr. Kennedy of New York (for himself, Mr. Pearson, Mr. Bayh, Mr. Brewster, Mr. Case, Mr. Clark, Mr. Hart, Mr. Inouye, Mr. Javits, Mr. Kuchel, Mr. Magnuson, Mr. Mondale, Mr. Moss, Mr. Nelson, Mr. Pell, Mr. Prouty, Mr. Randolph, Mr. Ribicoff, Mr. Scott, Mr. Tydings, Mr. Yarborough, and Mr. Young of North Dakota) introduced the following bill; which was read twice and referred to the Committee on Finance

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# A BILL

To provide incentives for the creation by private industry of additional employment opportunities for residents of urban poverty areas.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Urban Employment Opportunities Development Act of 1967".

PURPOSE AND POLICY

Sec. 2. It is the purpose of this Act to reduce poverty in the Nation's cities, and the social, physical, and psychological ills associated therewith, by creating incentives for pri-

VII—O

vate industry to provide additional employment opportunities to the residents of urban poverty areas, but nothing in this Act shall be construed to authorize the granting of any incentives to any industrial or commercial enterprise relocating from one area to another. Such incentives may, however, be granted to an industrial or commercial enterprise for expansion through the establishment of a new industrial or commercial facility of such enterprise in an urban poverty area, if (1) the establishment of such industrial or commercial facility will not result in an increase in unemployment in the area of original location (or in any other area where such enterprise conducts business operations), or (2) such industrial or commercial facility is not being established with any intention of closing down the operations of such enterprise in the area of its original location or in any other area where it conducts such operations.

### DEFINITIONS

SEC. 3. As used in this Act—

(1) The term "Secretary" (for purposes of title I) means the Secretary of Housing and Urban Development.

(2) The term "urban poverty area" means an area, within a standard metropolitan statistical area containing a population of at least two hundred and fifty thousand persons, which the Bureau of the Census has determined, at the request of, and under procedures approved by, the Office of

Economic Opportunity, to be a poverty area, subject to such modifications, additions, or exceptions as the Secretary may determine to be appropriate for the purposes of this Act. The term "urban poverty area" also means an area, within any place designated as urban by the Bureau of the Census, which meets the definition of a poverty area already utilized for standard metropolitan statistical areas of two hundred and fifty thousand persons or more and which the Secretary after consultation with the Secretary of Labor and the Secretary of Commerce determines should be subject to the provisions of this Act, and any Indian reservation which the Secretary of the Interior determines should be subject to the provisions of this Act.

(3) The term "person" means an individual, a trust, estate, partnership, association, company, or corporation.

(4) The term "industrial or commercial enterprise" means any of the following types of business engaged in, by any person, through an industrial or commercial facility—

(A) the manufacture, production, processing, or assembling of personal property—

(i) for sale to customers in the ordinary course of business excluding any part of the activities of such business consisting of retail sales and leases; or

(ii) for use in such person's business,

(B) the distribution of personal property as principal or agent, including, but not limited to, the sale, leasing, storage, handling, and transportation thereof but excluding any part of the activities of such business consisting of retail sales and leases, or

(C) the construction of any building in an urban poverty area as contractor for, or for sale to, any customer, but only in the case of a person engaged in the business of constructing such buildings as a contractor for, or for sale to, customers.

The term "industrial or commercial enterprise" shall not include the activities of selling, leasing, or renting out of real property including the selling or leasing or renting out of a factory, workshop, office, warehouse, sales outlet, apartment house, hotel, motel, or other residence, or the lending of money or extending of credit.

(5) The term "industrial or commercial facility" means a fixed place of business, in which an industrial or commercial enterprise is wholly or partly carried on, including but not limited to:

(A) a place of management or office,

(B) a factory, plant, or other workshop,

(C) a warehouse or sales outlet,

(D) a center for the transportation, shipping, or handling of property,

(E) a place of management for and any urban poverty area building or construction site.

The term "industrial or commercial facility" shall not include any store, or other premises, or portion of premises used as a retail facility.

(6) The term "qualified jobs" means new employment positions which did not exist prior to the time of requesting certification from the Secretary, either at the industrial or commercial facility or in any other part of an enterprise operated by the person receiving a certificate of eligibility. The term shall not be limited to the fifty jobs which constitute the minimum requirement under this Act but shall encompass all new or additional jobs at the certified industrial or commercial facility or in furnishing the services specified by this Act to such facility.

(7) The term "retail sale or lease" means a sale or lease made to a party whose payments therefore do not constitute the expenses or costs of a business.

(8) The term "retail facility" means a store, premises, or portion of premises in which a substantial percentage of the sales or leases are retail sales or leases.

(9) The term "city" means any municipality, county, parish, or other political subdivision of a State having general governmental powers.

(10) The term "low-income person" means a person whose adjusted gross income (as defined in section 62 of the Internal Revenue Code) in a particular period is less than the minimum amount reasonably necessary, in the area in which he resides, to adequately support himself or his family. The Secretary shall have the power, after consultation with the Secretary of the Department of Labor, to issue, from time to time, bulletins specifying such minimum amounts for particular urban areas throughout the country.

## TITLE I—ELIGIBILITY FOR ASSISTANCE

### CERTIFICATION OF ELIGIBILITY

SEC. 101. (a) The Secretary, after consultation with the Secretary of Labor and the Secretary of Commercé, shall issue a certificate of eligibility for benefits under this Act to any person who is engaged in, or desires to engage in, an industrial or commercial enterprise, through a specified industrial or commercial facility located, or to be located, in an urban poverty area, if—

(1) the governing body of the city in which such urban poverty area is primarily situated has given written notice to the Secretary that it wishes to participate in the program provided for in this Act to encourage the creation of new employment opportunities in such area;

(2) such governing body, or an agency or instru-

mentality of such city designated by such body, after public hearings at which residents of the urban poverty area in which the facility is to be located have had the opportunity to testify, has approved such enterprise as a participant in such program, and so certifies to the Secretary;

(3) the person to whom the certificate for such enterprise is to be issued agrees, in such form and manner as the Secretary may prescribe—

(A) in the case of an enterprise not then having an industrial or commercial facility located in an urban poverty area, to establish, within such period of time as the approving agency under paragraph (2) may require, such industrial or commercial facility (conforming to standards prescribed by the Secretary under subsection (d) of this section) at a site specified or agreed to, by such agency within such an area, or in the case of an enterprise having an industrial or commercial facility located in an urban poverty area, to conform it to standards prescribed by the Secretary under subsection (d) of this section;

(B) to provide, in connection with its operations at such industrial or commercial facility located, or to be located, in an urban poverty area, qualified jobs for at least fifty full-time employees, or in any case where such industrial or commercial facility is to operate in an urban poverty area in an urban area of under fifty thousand persons or on an Indian reservation, qualified jobs for at least twenty-five full-time employees, of which not fewer than two-thirds of all persons holding any such qualified jobs are persons who were prior to such employment low-income individuals who (i) have resided in such area for six months or more, or (ii) were unemployed;

(C) to pay wages to persons employed in connection with the operations at any such facility at rates not less than the minimum wages determined by the Secretary of Labor under section I (b) of the Act of June 30, 1936 (popularly known as the Walsh-Healey Act), as amended (41 U.S.C. 35 (b) ), to be the prevailing minimum wages for persons employed in similar work in the city or locality in which any such facility is located; and

(D) to maintain records listing the names and residences of all full-time employees at the industrial or commercial facility for which the certificate is being issued, the date on which they were hired, their employment and economic situation at the time of hiring, and any other information required by the Secretary, and in the case of an industrial or commercial facility, which is to be part of an industrial or commercial enterprise also conducted by such person at other locations, or which is to be conducted by a person also engaged in other enterprises, to maintain records showing the portion of such person's taxable income or net operating losses allocable to the industrial or commercial facility for which the certificate is being issued, as if it were conducted by a separate entity, pursuant to regulations promulgated by the Secretary of the Treasury or his delegate under section 482 of the Internal Revenue Code, modified as may be necessary to fulfill the purposes of this Act.

(4) the Secretary determines that the local agency which gave approval under paragraph (2), or such other agency or instrumentality as the governing body of the city may designate, will carry out an adequate relocation program, in accordance with section 103, for any persons, business concerns, and nonprofit organizations displaced as the result of the location of an industrial or commercial facility in an urban poverty area by

a person receiving a certificate of eligibility pursuant to this section;

(5) the Secretary determines that the expected benefits to employment and to other aspects of the economic and social welfare of such urban poverty area warrant the granting of the income tax incentives under title III of this Act as to the capital investment in such industrial or commercial facility; and

(6) the Secretary determines that the issuance of such certificate is in accordance with the policy set forth in section 2 respecting the relocation of industry.

(b) The Secretary shall issue a separate certificate of eligibility with regard to each industrial or commercial facility which meets the requirements of subsection (a) regardless of whether such facility is operated by any person as part of a single industrial or commercial enterprise.

(c) The Secretary shall issue a certificate of eligibility for benefits under this Act to any person who is a successor in interest to any person operating an industrial or commercial enterprise which has established an industrial or commercial facility in an urban poverty area and with respect to which facility a certificate of eligibility was issued under subsection (a), if—

(1) such person has been approved by the appropriate agency under paragraph (2) of subsection (a),

and has been so certified by such agency to the Secretary;

(2) such person agrees to continue to use the facility as an industrial or commercial facility, and to conform to the requirements of subparagraphs (B) and (C) of subsection (a) (3) ; and

(3) the issuance of such certificate is in accordance, as determined by the Secretary, with the policy set forth in section 2 respecting the relocation of industry.

(d) The Secretary shall terminate a certificate of eligibility issued to any person under this section to operate an industrial or commercial facility whenever he determines, after an appropriate hearing, that the person to whom such certificate was issued has failed, after due notice and a reasonable opportunity to correct the failure at such facility has been given, to carry out its agreement under subsection (a) (3) or (b) (2). In making a determination under this subsection, the Secretary shall be guided by, but not be limited to, the following criteria:

(1) a reduction in the number of qualified jobs provided by any such enterprise below the minimums specified in subsection (a) (3) (B) shall not be grounds for termination of a certificate of eligibility issued to such enterprise, if the Secretary determines that (i) such reduction results from business or economic factors be-

yond the control of such enterprise, and (ii) not less than two-thirds of all the persons employed full time in such jobs by such enterprise to meet the requirements of subsection (a) (3) (B) of this section continue to meet those requirements.

(2) a change in the residence of any person employed by such enterprise, after his employment has commenced, shall not affect his status for purposes of applying subsection (a) (3) (B) of this section.

(e) Any industrial or commercial facility for which a certificate of eligibility is issued under this section shall conform to such standards of design and construction as the Secretary shall by regulation require. Such regulations shall give due effect to any action taken by the locality in which such facility is, or will be located, to insure that it is so designed and constructed as to provide a decent, safe, and sanitary place of employment in an esthetically pleasing structure.

(f) The Secretary shall keep interested and participating Federal, State, and local agencies fully apprised of any action taken by him under this section.

(g) No certificate of eligibility shall be issued under this section to any person, unless application therefore is received by the Secretary prior to the expiration of ten years after the date of enactment of this Act.

### REPORTS

SEC. 102. (a) The Secretary may by regulation require any person to whom a certificate of eligibility is issued under section 101 to file such reports from time to time as he may deem necessary in order to carry out his functions under this chapter.

(b) Whoever, in any report required to be filed under this section knowingly makes a false statement of a material fact, shall be fined not more than $ or imprisoned for not more than years, or both.

### RELOCATION ASSISTANCE

SEC. 103. (a) In determining whether, for the purposes of section 101 (a) (4), an adequate relocation program exists in any city to assist in the relocation of persons, business concerns, and nonprofit organizations displaced as the result of the relocation of an industrial or service facility in an urban poverty area by a business enterprise receiving a certificate of eligibility under this title, the Secretary shall be guided by the following criteria:

(1) Any persons so displaced shall be assured under the program of obtaining decent, safe, and sanitary housing at rentals which they can afford at locations which are reasonably accessible to their places of employment.

(2) (A) There will be paid to any person or family so displaced—

(i) a moving expense allowance, determined according to a schedule approved by the Secretary, not to exceed $200;

(ii) a dislocation allowance equal to the amount under (i) or $100, whichever is the lesser;

(iii) an additional payment of $300, if such person or family purchases a dwelling for the purpose of residence within one year from the date of actual displacement, and the dwelling so purchased is situated upon real estate in which such person or family acquires a fee title or a life estate, or which is held under a ninety-nine-year lease or other type of long-term lease equivalent to fee ownership.

(B) In addition to the amounts payable under subparagraph (A), there will be paid to any family, any individual (not a member of a family) who is sixty-two years of age or over, or any individual (not a member of a family) who is handicapped within the meaning of section 202 of the Housing Act of 1959, monthly payments over a period not to exceed twenty-four months in an amount not to exceed $500 in the first twelve months and $500 in the second twelve months to assist such family or individual to secure a decent, safe, and sanitary dwelling. Subject to the limitation imposed by the preceding sentence, the additional payments shall be an amount which, when added to 20 per centum of the annual income of such family or individual at the time of displacement, equals the average annual rental required for such a decent, safe, and sanitary dwelling of modest standards adequate in size to accommodate such family or individual in areas not generally less desirable in regard to public utilities and public and commercial facilities: *Provided,* That such payments shall be made only to a family or individual who is unable to secure a dwelling unit in a low-rent housing project assisted under the United States Housing Act of 1937, or under a State or local program having the same general purposes as the Federal program under such Act, or a dwelling unit assisted under section 101 of the Housing and Urban Development Act of 1965.

(3) There will be paid to any business concern or nonprofit organization so displaced—

(A) its reasonable and necessary moving expenses and any actual direct losses of property (except goodwill or profit) for which reimbursement or compensation is not otherwise made; and

(B) an additional $2,500 in the case of a private business concern with average annual net earnings of less than $10,000 per year, if such concern is not part of a larger enterprise having establishments other than the one with respect to which the displacement occurred.

(b) The Secretary is authorized to enter into contracts to make, and to make, grants to any city carrying out an approved relocation program under this section, or to any agency or instrumentality of such city designated by the governing body thereof, to defray that part of the cost of carrying out such program which is required under paragraphs (2) and (3) of subsection (a).

(c) There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section. Any sums so appropriated shall remain available until expended.

### BUREAU OF CENSUS DESIGNATION

SEC. 104. The Bureau of the Census shall prepare maps of poverty areas within any urban area or any category of urban area specified by the Secretary.

## TITLE II—TAX INCENTIVES

### INCOME TAX CREDIT FOR INVESTMENT IN DEPRECIABLE PROPERTY IN URBAN POVERTY AREAS

SEC. 201. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

### "SEC. 40. INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY IN URBAN POVERTY AREAS.

"(a) General Rule.—There shall be allowed, as a credit against the tax imposed by this chapter, the amount determined under subpart C of this part.

"(b) Regulations.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart C."

(b) Part IV of subchapter A of chapter 1 of such Code (relating to credits against tax) is amended by adding at the end thereof the following new subpart:

## "Subpart C—Rules for Computing Credit for Investment in Certain Depreciable Property in Urban Poverty Areas

"Sec. 51. Amount of credit.
"Sec. 52. Certain dispositions, etc., of section 40 property.
"Sec. 53. Definitions; special rules.

### "SEC. 51. AMOUNT OF CREDIT.

"(a) Determination of Amount.—

"(1) General rule.—The amount of the credit allowed by section 40 for the taxable year shall be equal to:

"(A) 7 percent of the qualified expenditures (as defined in section 53 (b)) made during the taxable year in regard to section 40 real property (as defined in section 53 (a) (3)), and

“(B) 10 percent of the qualified expenditures (as defined in section 53 (b)) made during the taxable year in regard to section 40 personal property (as defined in section 53 (a) (4)).

“(2) Limitation.—Notwithstanding paragraph (1), the credit allowed by section 40 for the taxable year shall not exceed the taxpayer’s liability for tax for such year.

“(3) Liability for tax.—For purposes of this section, the liability for tax for the taxable year shall be the tax imposed by this chapter for such year, reduced by the sum of the credits allowable under—

“(A) section 33 (relating to foreign tax credit),

“(B) section 35 (relating to partially tax-exempt interest),

“(C) section 37 (relating to retirement income), and

“(D) section 38 (relating to investment in certain depreciable property).

For purposes of this paragraph, any tax imposed for the taxable year by section 531 (relating to accumulated earnings tax), section 541 (relating to personal holding company tax), or section 1378 (relating to tax on certain capital gains of subchapter S corporations), and any additional tax imposed for the taxable year by section 1351 (d) (1) (relating to recoveries of foreign expropriation losses), shall not be considered tax imposed by this chapter for such year.

"(b) CARRYBACK AND CARRYOVER OF UNUSED CREDITS.—

"(1) ALLOWANCE OF CREDIT.—If the amount of the credit determined under subsection (a) (1) for any taxable year exceeds the taxpayer's liability for tax for such taxable year (hereafter in this subsection referred to as the 'unused credit year'), such excess shall be—

"(A) a section 40 credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) a section 40 credit carryover to each of the 10 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 40 for such years, except that such excess may be a carryback only to a taxable year ending after the date of the enactment of the Urban Employment

Opportunities Development Act of 1967. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 13 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried and then to each of the other 12 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) LIMITATION.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the taxpayer's liability for tax for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a) (1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year.

### "SEC. 52. CERTAIN DISPOSITIONS, ETC., OF SECTION 40 PROPERTY.

"(a) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate—

"(1) EARLY DISPOSITIONS.—If section 40 property (as defined in section 53 (a) (2) ) is disposed of, or otherwise ceases to qualify as section 40 property with respect to the taxpayer, the tax under this chapter for the taxable year in which the disposition occurs shall be increased by an amount equal to the credits allowed under section 40 for prior taxable years for qualified expenditures (as defined in section 53 (b) ) which were made—

"(A) in the case of section 40 real property (as defined in section 53 (a) (3) ) within 10 years before the date of the disposition, or

"(B) in the case of section 40 personal property (as defined in section 53 (a) (4) ) within 4 years before the date of the disposition.

This paragraph shall not apply to any qualified expenditures with respect to which there has been an increase of tax under paragraph (2).

"(2) TERMINATION OF CERTIFICATE.—If the section 40 certificate (as defined in section 53 (a) (1) ) is terminated under section 101 (c) of the Urban Employment Opportunities Development Act of 1967, with respect to a section 40 facility (as defined in section 53 (a) (5) ) of the taxpayer;

"(A) the taxpayer's tax under this chapter for the taxable year in which the termination occurs shall be increased by an amount equal to the credits allowed under section 40 for prior taxable years for qualified expenditures which were made in accordance with section 53 (b) (3) within 3 years before the date of the termination with respect to all section 40 property used at, or in connection with, such facility, and

"(B) the taxpayer's gross income for the taxable year in which the termination occurs shall be increased by an amount equal to the deductions allowed to the taxpayer under section 183 in such taxable year and the 2 preceding taxable years with respect to employees employed at, or in connection with, such facility.

"(3) CARRYBACKS AND CARRYOVERS ADJUSTED.—In the case of any disposition described in paragraph (1) or any termination described in paragraph (2), the carrybacks and carryovers under section 51 (b) shall be adjusted.

"(b) SECTION NOT TO APPLY IN CERTAIN CASES.—Subsection (a) shall not apply to—

"(1) a disposition by reason of death,

"(2) a disposition to which section 381 (a) applies,

"(3) a disposition necessitated by the cessation of the operation of a section 40 facility where the Secretary of Housing and Urban Development certifies that such cessation results from economic factors beyond the control of the section 40 business (as defined in section 53 (a) (6)), or

"(4) a disposition on account of the destruction or damage of section 40 property by fire, storm, shipwreck, or other casualty, or by reason of its theft.

For purposes of subsection (a), property shall not be treated as ceasing to be section 40 property with respect to the taxpayer by reason of a mere change in the form of conducting the section 40 business so long as the property is retained in such business as section 40 property and the taxpayer retains a substantial interest in such business.

### "SEC. 53. DEFINITIONS; SPECIAL RULES.

"(a) SECTION 40 CERTIFICATE, ETC.—For purposes of this chapter—

"(1) SECTION 40 CERTIFICATE.—The term 'section 40 certificate' means a certificate of eligibility issued by the Secretary of Housing and Urban Development under section 101 (a) or section 101 (b) of the Urban Employment Opportunity Development Act of 1967.

"(2) SECTION 40 PROPERTY.—The term 'section 40 property' means property which, in regard to a taxpayer conducting a section 40 business—

"(A) is of a character which is subject to the allowance for depreciation provided in section 167 and which is not property of a kind which would properly be includable in the inventory of the taxpayer if on hand at the close of the taxable year or which is not property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business,

"(B) will be used by such taxpayer (i) as a section 40 facility, (ii) as an integral part of, or in the operation of, any such facility, (iii) in furnishing transportation, communications, electrical energy, gas, water, or sewage disposal primarily to any such facility, and

"(C) has at the time it is first used by such taxpayer after such taxpayer has been issued a section 40 certificate in regard to the section 40 facility at, or in connection with which, such property is used, a useful life of at least (i) 4 years in the case of section 40 personal property, (ii) 10 years in the case of section 40 real property.

Property shall not be treated as section 40 property if, after its acquisition by the taxpayer, it is used by a person who used such property before such acquisition (or by a person who bears a relationship described in section 179(d)(2)(A) or (B) to a person who used such property before such acquisition).

"(3) Section 40 real property.—The term 'section 40 real property' means section 40 property which is section 1250 property (within the meaning of section 1250(c)).

"(4) Section 40 personal property.—The term 'section 40 personal property' means section 40 property which is section 1245 property (within the meaning of section 1245(b)).

"(5) Section 40 facility.—The term 'section 40 facility' means an industrial or commercial facility (as defined in section 3(5) of the Urban Employment Opportunity Development Act of 1967) which is specified by the Secretary of Housing and Urban Development in a section 40 certificate.

"(6) Section 40 business.—The term 'section 40 business' means an industrial or commercial enterprise (as defined in section 3(4) of the Urban Employment Opportunities Development Act of 1967) with respect to which a section 40 certificate has been issued which has not been terminated under section 101(c) of such Act.

"(b) Qualified Expenditures.—

"(1) In general.—The term 'qualified expenditures' means, with respect to each taxable year, expenditures by the taxpayer—

"(A) properly chargeable to capital account,

"(B) paid or accrued for—

"(i) the manufacture, production, construction, or erection of section 40 property,

"(ii) the acquisition of section 40 property by a purchase (as defined in section 179 (d) (2) and subsection (d) of this section), or

"(iii) the reconstruction, permanent improvement, or betterment of section 40 property, and

"(C) made during the 10-year period beginning with the date on which a section 40 certificate is first issued to any person with respect to the section 40 facility as, or in connection with which, such property is used.

"(2) LIMITATION.—Expenditures in regard to section 40 real property shall be treated as qualified expenditures only if the construction, erection, acquisition, reconstruction, permanent improvement, or betterment for which such expenditures are made, conforms to the standards prescribed under section 101 (d) of the Urban Employment Opportunities Development Act of 1967.

"(3) YEAR OF QUALIFIED EXPENDITURES.—All qualified expenditures shall be deemed made in the taxable year in which—

"(A) in the case of qualified expenditures for the manufacture, production, construction, erection, or acquisition by purchase of section 40 property, the year in which the section 40 property is placed in service, and

"(B) in the case of qualified expenditures for the reconstruction, permanent improvement, or betterment of section 40 property, the year in which the section 40 property as reconstructed, improved or bettered as a result of the qualified expenditure is placed in service.

For purposes of this paragraph, any manufactured, produced, constructed, erected, or acquired section 40 property, or any reconstructed, improved, or bettered section 40 property, shall be deemed placed in service in the taxable year in which such manufactured, produced, constructed, erected, or acquired section 40 property, or such section 40 property as reconstructed, improved, or bettered, first becomes subject to depreciation by a taxpayer computing depreciation on a daily basis.

"(4) REPLACEMENT PROPERTY.—If section 40 property is manufactured, produced, constructed, erected, reconstructed, or acquired to replace property which was destroyed or damaged by fire, storm, shipwreck, or other casualty, or was stolen, the qualified expenditures with respect to such section 40 property which would (but for this paragraph) be taken into account for purposes of section 51 (a) shall be reduced by an amount equal to the amount received by the taxpayer as compensation, by insurance or otherwise, for the property so destroyed, damaged, or stolen, or to the adjusted basis of such property, whichever is the lesser.

"(c) CERTAIN LEASED PROPERTY.—A person (other than a person referred to in subsection (g)) who is a lessor of property, which in the hands of the lessee constitutes section 40 property, may (at such time, in such manner, and subject to such conditions as are provided by regulations prescribed by the Secretary or his delegate) elect with respect to any section 40 property, as to which no prior credit under section 40 has previously been taken, to treat the lessee as having purchased such property for an amount equal to—

"(1) except as provided in paragraph (2), the fair market value of such property, or

"(2) if such property is leased by a corporation which is a member of an affiliated group (within the meaning of section 46 (a) (5)) to another corporation which is a member of the same affiliated group, the basis of such property to the lessor.

If a lessor makes the election provided by this subsection with respect to any property, the lessee shall be treated for all purposes of this subpart as having acquired such property. For purposes of subsection (a) (1) (C), the useful life of the property to the lessee shall be deemed to be the useful life over which the lessee is permitted to depreciate or amortize the property.

"(d) SUBCHAPTER S CORPORATION.—In the case of an electing small business corporation (as defined in section 1371)—

"(1) the qualified expenditures for each taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such taxable year, and

"(2) any person to whom any expenditures have been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expenditures, and such expenditures shall not (by reason of such apportionment) lose their character as qualified expenditures.

"(e) ESTATES AND TRUSTS.—In the case of an estate or trust—

"(1) the qualified expenditures for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each, and

"(2) any beneficiary to whom any expenditures have been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expenditures, and such expenditures shall not (by reason of such apportionment) lose their character as qualified expenditures.

"(f) CROSS REFERENCE.—

**"For application of this subpart to certain acquiring corporations, see section 381(c)(24)."**

(c) Section 48 (a) of such Code (relating to definition of section 38 property) is amended by adding at the end thereof the following new paragraph:

"(7) SECTION 40 PROPERTY.—Any property which is section 40 property (as defined in section 53 (a) (2)) shall not be treated as section 38 property to the extent that expenditures for the manufacture, production, construction, erection, reconstruction, permanent improvement, betterment, or acquisition of such property constitute qualified expenditures (as defined in section 53 (b))."

(d) Section 381 (c) of such Code (relating to carryovers in certain corporate acquisitions) is amended by adding at the end thereof the following new paragraph:

"(24) CREDIT UNDER SECTION 40 FOR INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY IN URBAN POVERTY AREAS.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and section 40, and under such regulations as may be prescribed by the Secretary or his delegate) the items required to be taken into account for purposes of section 40 in respect to the distributor or transferor corporation."

(e) (1) The table of subparts for part IV of subchapter A of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Subpart C. Rules for computing credit for investment in certain depreciable property in urban poverty areas."

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Investment in certain depreciable property in urban poverty areas.
"Sec. 41. Overpayments of tax."

DEPRECIATION DEDUCTION

SEC. 202. Section 167 of the Internal Revenue Code of 1954 (relating to depreciation) is amended by redesignating subsection (j) as (k) and by inserting after subsection (i) the following new subsection:

"(j) SECTION 40 PROPERTY.—

"(1) USEFUL LIFE.—At the election of the taxpayer—

"(A) the useful life of any property which is section 40 property (as defined in section 53(a)(2)) shall, for purposes of this section, be 66⅔ percent of the useful life of such property determined without regard to this paragraph; and

"(B) the guideline class lives prescribed by the Secretary or his delegate which are applicable to any property which is section 40 property shall, for purposes of this section be 66⅔ percent of the guideline class lives applicable to such property determined without regard to this paragraph. An election under this paragraph shall be made at such time and in such manner as the Secretary or his delegate prescribes by regulations.

"(2) NEAREST FULL YEAR.—If the useful life or guideline class life of any property as determined under subsection (i) includes a fraction of a year, such useful life shall be deemed the nearest full year.

"(3) RESERVE RATIO TESTS.—In justifying class lives used for purposes of the deduction allowed by this section under the reserve ratio tests prescribed by the Secretary or his delegate, a taxpayer who makes an election under paragraph (1) (B) shall, for all purposes, be deemed to have utilized class lives equal to 150 percent of those applicable determined without regard to this subsection.

"(4) SALVAGE VALUE.—In determining the salvage value of section 40 property, subject to an election under paragraph (1) (A) and (B), the useful life of the property shall be deemed that life which would be applicable without regard to paragraph (1) (A) and (B).

"(5) EXCEPTION.—No election may be made under paragraph (1) with respect to any section 40 property which is placed in service after the expiration of the 10-year period beginning on the date on which a section 40 certificate (as defined in section 53 (a) (1)) is first issued to any person for the section 40 facility (as defined in section 53 (a) (5)) at, or in connection with which, such section 40 property is used."

NET OPERATING LOSS CARRYOVERS

SEC. 203. Section 172 of the Internal Revenue Code of 1954 (relating to net operating loss deduction) is amended—

(1) by striking out "(C) and (D)" in subsection

(b) (1) and inserting in lieu thereof "(C), (D), and (E)";

(2) by adding at the end of subsection (b) (1) the following new subparagraph:

"(E) The portion of a net operating loss for any taxable year to which (under subsection (l)) this subparagraph applies which is allocable to the operation of a section 40 business (as defined in section 53 (a) (6)) through a section 40 facility (as defined in section 53 (a) (5)) shall be a net operating loss carryover to each of the 10 taxable years following the taxable year of such loss. The determination as to the portion of a taxpayer's net operating loss allocable to the operation of an industrial or commercial facility by a section 40 business shall be made in accordance with regulations promulgated by the Secretary or his delegate under section 101 (a) (3) (D) of the Urban Employment Opportunities Development Act of 1967."

(3) by redesignating subsection (l) as (m), and by inserting after subsection (k) the following new subsection:

"(l) CARRYOVER OF NET OPERATING LOSSES OF CERTIFIED BUSINESSES.—Subsection (b) (1) (E) shall apply, with respect to the operation of such section 40 facility, only to a net operating loss for (A) the taxable year in which the operation of such facility is begun by any section 40 business under a section 40 certificate (as defined in section 53 (a) (1)), or (B) any of the 9 succeeding taxable years."

SPECIAL DEDUCTION FOR SALARIES AND COMPENSATION PAID

SEC. 204. (a) Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following new section:

**"SEC. 183. SPECIAL DEDUCTION FOR CERTAIN BUSINESSES OPERATING IN URBAN POVERTY AREAS.**

"(a) GENERAL RULE.—In the case of any person engaged in a section 40 business (as defined in section 53 (a) (6)), there shall be allowed as a deduction for the taxable year (in addition to any deduction under section 162) an amount equal to 25 percent of the compensation paid or incurred in money during the taxable year to employees who—

"(1) are in qualified jobs (as defined in section 3 (6) of the Urban Employment Opportunities Development Act of 1967), and

"(2) at the time they became so employed were low-income individuals who (A) had resided for 6 months or more in the urban poverty area in which such facility is located, or (B) were unemployed, and

"(3) during the period for which the compensation is paid or incurred, perform substantially all of their duties as employees:

"(A) at a section 40 facility (as defined in section 53(a)(5)) through which such section 40 business is conducted, or

"(B) by furnishing transportation, communications, electrical energy, gas, water, or sewerage disposal primarily to such facility.

"(b) LIMITATIONS.—Subsection (a) shall apply, with respect to employees at any section 40 facility, only to compensation paid or incurred in money during a 10-year period beginning with the date on which a section 40 certificate (as defined in section 53(a)(1)) is first granted to any person with respect to such section 40 facility."

(b) The table of sections for part VI of subchapter B of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Sec. 183. Special deduction for certain businesses operating in urban poverty areas."

### EFFECTIVE DATE

SEC. 205. The amendments made by this title shall apply to taxable years ending after the date of the enactment of this Act.

## TITLE III—TRAINING ASSISTANCE FOR INDUSTRIES LOCATING IN URBAN POVERTY AREAS

SEC. 301. Title II of the Manpower Development and Training Act of 1962, is amended by adding at the end thereof the following new part:

### "PART D—TRAINING ASSISTANCE FOR INDUSTRIES LOCATING IN URBAN POVERTY AREAS

### "GENERAL RESPONSIBILITY

"SEC. 251. The Secretaries of Labor and of Health, Education, and Welfare are authorized to provide, in accordance with their respective responsibilities under parts A and B of this title, a supplementary program of training and training allowances, in consultation with the Secretary of Housing and Urban Development, for low-income individuals who reside in an urban poverty area or who are unemployed and who are to be employed by a person operating an industrial or commercial enterprise certified under section 101 of the Urban Employment Opportunities Development Act of 1967. Such program shall be carried out by the Secretaries of Labor and of Health, Education, and Welfare in accordance with the provisions otherwise applicable to programs under this Act and with their respective functions under those provisions, except that—

"(1) the Secretary of Labor, in consultation with the Secretary of Housing and Urban Development, shall determine the occupational training or retraining needs of such individuals to be employed by any such enterprise;

"(2) all individuals to be employed in an urban poverty area by any such enterprise may be selected for training and shall be eligible for training allowances under this part: *Provided,* That the amount and duration of training allowances under this section shall in no event exceed the amount and duration of training allowances provided under section 203 (a) of this Act;

"(3) the Secretary of Health, Education, and Welfare may, in appropriate cases, after consultation with the Secretary of Labor, arrange for training to be conducted by any such enterprise for individuals to be employed by it in any such area;

"(4) the Secretaries of Labor and of Health, Education, and Welfare shall, each with respect to his functions under this section, prescribe jointly with the Secretary of Housing and Urban Development such rules and regulations as may be necessary to carry out the purposes of this part; and

"(5) no funds available under this part shall be apportioned to any State pursuant to section 301 of this Act, nor shall any matching funds be required.

### "PRIORITY

"SEC. 252. The Secretary of Labor shall, to the extent practicable, give priority to the referral of individuals for training authorized by this part."

### APPROPRIATIONS AUTHORIZED

SEC. 302. Section 304 of the Manpower Development and Training Act of 1962 is amended by striking out "(d)" and inserting in lieu thereof "(e)" and by inserting immediately after subsection (c) thereof the following new subsection:

"(d) For the purpose of carrying out part D of title II there are hereby authorized to be appropriated not in excess of $20,000,000 for the fiscal year ending June 30, 1968, and for each fiscal year thereafter such amounts as may be necessary."

### EFFECTIVE DATE

SEC. 303. The amendments made by this title shall take effect on July 1, 1967.

## RURAL JOB DEVELOPMENT ACT (SENATOR PEARSON)

### Explanation

### I. Purpose

The purpose of the bill is to attract new job-producing industrial and commercial establishments in rural areas so as to more fully and effectively utilize the human and natural resources of rural America; slow the migration from the rural areas due to lack of economic opportunity; and to reduce population pressures in urban centers resulting from such forced migration.

### II. Incentives

The bill proposes the following tax incentives for a 10-year period from the date of enactment:

(A) The normal 7-percent investment credit on machinery is increased to 14 percent;

(B) A 7-percent investment credit on the cost of the building in which the business is located;

(C) An accelerated depreciation of two-thirds of normal, useful, or class life for machinery, equipment, and buildings;

(D) A deduction of 125 percent for salaries and wages paid to low-income persons hired, for a period of 3 years;

(E) All credits and deductions can be carried backward 3 years or forward for a maximum of 10 years, or if the business is a corporate subsidiary, utilized against other outside income of the parent corporation. A purchaser of the business could use the carryovers otherwise available to the seller if the purchaser continues the business.

### III. Eligibility Requirements

The Secretary of Agriculture may issue a certificate of eligibility to an employer provided the following requirements are met:

#### A. AREA

1. The firm must locate in a county which does not have a city with a population in excess of 50,000. Standard metropolitan statistical areas are automatically excluded. (Note: The administration has developed a working agreement which uses the 50,000-population figure as a guide for determining the jurisdictional authority of the Department of Agriculture.)

2. At least 15 percent of the families in the country must have incomes of under $3,000;

2a. Or where employment has declined at an annual rate of more than 5 percent during the last 5-year period;

2b. Or where the closing or curtailing of operations of an installation of the Department of Defense is likely to cause a substantial migration of persons residing in the area.

3. The Secretary of Agriculture will also certify the eligibility of Indian reservations after consulting with the Secretary of the Interior.

4. Eligible areas will be designated as job development areas. (Note: Some difficulty is encountered in defining area eligibility requirements so as to assure that the objectives of the bill are achieved with a minimum degree of abuse. For example, unemployment and underemployment data outside standard metropolitan statistical areas are often inadequate. Income data may also be a poor criteria. Due to the lack of job opportunities there is a heavy migration from rural areas. Thus, in many portions of the country, particularly the Midwest, the Mountain States and the Far West, a ratio between population and jobs available is maintained to the extent that those remaining, while earning inadequate incomes, may not suffer the extremes of poverty found in the urban ghettos, the rural South and the Appalachian region. Hearings on the bill may well suggest other factors to be used to designate area eligibility requirements.

### B. NUMBER OF JOBS AND TERMS OF EMPLOYMENT

1. The enterprise must create at least 10 new jobs at the beginning of the operation, and must show a reasonable ratio between capital invested and jobs created.

2. At least 50 percent of the original working force must be residents of the area or within convenient daily commuting distance.

3. Not less than 33 percent of the original work force will be comprised of heads of families, with family income of less than $3,000 per year, single individuals having income of less than $1,800 per year, persons who have completed more than 1 year of active duty in the armed services or in the Job Corps within the preceding 2 years.

4. To continue to qualify for benefits, the employer must maintain the same working force unless economic circumstances beyond his control prevent him from doing so.

### C. PROHIBITION AGAINST "RUNAWAY" FIRMS

The employer must demonstrate that he has not discontinued a comparable enterprise or enterprises in any other area and will not reduce his employment in any other area as a result, directly or indirectly, of the establishment of and operation of the enterprise.

### D. LOCAL CONTROL

The certifying officer must receive written notice from the local governmental unit responsible for zoning requirements to the effect that the proposed enterprise meets with existing regulations and that there are no immediate plans for altering those regulations.

### E. TYPE OF ENTERPRISE

The enterprise must be engaged in industrial production (manufacturing, producing, processing, assembling), wholesale operations, or the construction of buildings and facilities in the authorized area. Recreational enterprises may be certified provided they would not be competitive with existing enterprises in the area.

### F. RECAPTURE PROVISIONS

A recapture provision would serve as an effective deterrent in preventing firms from willfully violating the employment requirements or from taking advantage of the benefits and then closing down operations without economic justification.

## IV. Appropriation

### A. RURAL INDUSTRIAL PROGRAM

Two hundred and fifty thousand dollars is to be appropriated so that the Secretary of Agriculture, as provided by the bill, may collect and disseminate relevant economic data and to serve as an information clearinghouse for local communities and businesses considering establishing job-creating enterprises in job development areas. It would be expected that this appropriation would be utilized to fund the rural industrial program which was created in 1966 (but not funded) to stimulate industrial development in rural areas by—

1. Telling businessmen of the advantages of locating plants in rural America;
2. Providing a site location and analysis service; and
3. Bringing together community, State and Federal programs for industrial and community development.

### B. JOB TRAINING

To provide adequate training assistance to those enterprises locating in job development areas under the provisions of the bill, the Manpower Development and Training Act of 1962 is amended to assure that the MDTA programs can adequately service the anticipated increase in job training needs. Also an additional $20 million is authorized for MDTA for the first year and such amounts as may be necessary for each fiscal year thereafter.

90TH CONGRESS
1ST SESSION

# S. 2134

IN THE SENATE OF THE UNITED STATES

JULY 21, 1967

Mr. PEARSON (for himself, Mr. HARRIS, Mr. AIKEN, Mr. BENNETT, Mr. CANNON, Mr. COTTON, Mr. ERVIN, Mr. HATFIELD, Mr. MCGEE, Mr. MCGOVERN, Mr. MANSFIELD, Mr. MILLER, Mr. MONDALE, Mr. MONRONEY, Mr. MOSS, Mr. MUNDT, Mr. PERCY, Mr. PROUTY, Mr. RANDOLPH, Mr. RIBICOFF, Mr. SCOTT, Mr. THURMOND, Mr. TYDINGS, and Mr. YOUNG of North Dakota) introduced the following bill; which was read twice and referred to the Committee on Finance

# A BILL

To provide incentives for the establishment of new or expanded job-producing industrial and commercial establishments in rural areas.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Rural Job Development Act of 1967".

## DECLARATION OF PURPOSE

SEC. 2. The purpose of this Act is to more fully and effectively use the human and natural resources of rural

America; to slow the migration from rural areas due to lack of economic opportunity; and to reduce population pressures in urban centers resulting from such forced migration.

DEFINITIONS

SEC. 3. As used in this Act—

(1) The term "Secretary" means the Secretary of Agriculture.

(2) A "rural job development area" for the purpose of this Act is any area which the Secretary of Agriculture shall designate if it

(1) is a county (A) no part of which is within an area designated as a standard metropolitan statistical area by the Bureau of the Budget, (B) without a city whose population exceeds fifty thousand, and (C) in which more than 15 per centum of the families residing in which have incomes under $3,000 per annum; or

(2) a county defined in (1) (A) and (B) in which for the most recent five years employment has declined at an annual rate of more than 5 per centum; or

(3) is an Indian reservation or a native community designated by the Secretary after consultation with the Secretary of the Interior; or

(4) is undergoing or is likely to undergo a substantial emigration of persons residing therein (other

than military personnel and their dependents) as a consequence of the closing, or curtailing of operations, of an installation of the Department of Defense.

The Secretary's finding under paragraph (1) (B) (C) and (2) shall be made on the basis of the most recent satisfactory data available to him.

(3) The term "person" means an individual, a trust, estate, partnership, association, company, or corporation.

(4) The term "industrial or commercial enterprise" means any of the following types of business engaged in, by any person, through an industrial or commercial facility,

(A) the manufacture, production, processing, or assembling of personal property—

(i) for sale to customers in the ordinary course of business excluding any part of the activities of such business consisting of retail sales and leases or

(ii) for use in such person's business,

(B) the distribution of personal property as principal or agent, including, but not limited to, the sale, leasing storage, handling, and transportation on thereof but excluding any part of the activities of such business consisting of retail sales and leases, or

(C) the construction of any building in a rural job development area as contractor for, or for sale to, any customer, but only in the case of a person engaged in the business of constructing such buildings as a contractor for, or for sale to, customers.

The term "industrial or commercial enterprise" shall not include the activities of selling, leasing, or renting out of real property including the selling or leasing or renting out of a factory, workshop, office, warehouse, sales outlet, apartment house, hotel, motel, or other residence, or the lending of money or extending of credit.

(5) The term "industrial or commercial facility" means a fixed place of business, in which an industrial or commerical enterprise is wholly or partly carried on, including but not limited to:

(A) a place of management or office,

(B) a factory, plant, or other workshop,

(C) a warehouse or sales outlet,

(D) a center for the transportation, shipping, or handling of property,

(E) a recreation facility providing recreation to the public for a charge or fee which is (1) not inconsistent with State recreation plans, approved by the Bureau of Outdoor Recreation, (2) other recreation facilities consistent with local economic development plans, but no benefit shall be granted for recreation facilities where the tax credit would result in an undue local competitive advantage.

The term "industrial or commercial facility" shall not include any store, or other premises, or portion of premises used as a retail facility.

(6) The term "retail sale or lease" means a sale or lease made to a party whose payments therefor do not constitute the expenses or costs of a business.

(7) The term "retail facility" means a store, premises, or portion of premises in which a substantial percentage of the sales or leases are retail sales or leases.

## TITLE I

## ELIGIBILITY FOR ASSISTANCE

### CERTIFIED FACILITIES

SEC. 101. (a) Upon application of a taxpayer, the Secretary may certify a new plant or other new facility (or the new portion of an expanded existing plant or other facility) as a certified facility for purposes of this Act continuing for so long as the taxpayer receives incentives under provisions of the Act, and the Secretary finds such certification carries out the purposes of the Act.

(1) the proposed facility has been approved by local authority as consistent with local zoning ordinances and economic and physical planning;

(2) such facility (or new portion thereof) was placed in service by the taxpayer in a rural job development area in the first taxable year of the certification period;

(3) placing such facility (or new portion thereof) in service has resulted in regular, full-time employment by the taxpayer of at least ten additional persons;

(4) at least 50 per centum of the persons employed at such facility (including the existing portion of an expanded facility) in such first taxable year are (A) persons who reside within such rural job development area, or (B) persons who within the three years preceding the commencement of their employment (i) have served at least one year on active duty in the Armed Forces of the United States or (ii) have been enrolled for at least one year in the Job Corps;

(5) at least 33 per centum of the persons employed in such facility (including such existing portion) during such first taxable year are—

(A) heads of families the income of which was less than $3,000 during the year immediately preceding their employment,

(B) individuals (other than heads of families) whose income was less than $1,800 in the year immediately preceding their employment, or

(C) persons described in paragraph (4) (B); and

(6) the industrial or commercial enterprise is not relocating from one area to another and if (A) the establishment of such industrial or commercial facility will not result in an increase in unemployment in the area of original location (or in any other area where such enterprise conducts business operations), or (B) such industrial or commercial facility is not being established with any intention of closing down the operations of such enterprise in the area of its original location or in any other area where it conducts such operations.

(b) Prior to a taxpayer's placing a facility (or new portion thereof) in service, the Secretary may issue to the taxpayer a conditional commitment to certify such facility (or new portion thereof) under subsection (A) at the time such facility (or new portion thereof) is placed in service if it qualifies under subsection (a) at such time.

(c) The Secretary may waive all or part of the requirements specified in subsection (a) (4) and (5) if he finds that the operation of a facility requires skills that are not available within the rural job development area and that placing the facility (or new portion thereof) in service will result in the creation of new positions of employment within the rural job development area that are equivalent to the positions specified in the requirements which are waived.

SEC. 102. (a) The Secretary shall issue a certificate of eligibility for benefits under this Act to any person, who is engaged in an industrial or commercial enterprise, through a specified industrial or commercial facility located in a rural job development area if—

(1) the person to whom the certificate for such enterprise is to be issued agrees, in such form and manner as the Secretary may prescribe—

(A) to maintain records listing the names and residences of all full-time employees at the industrial or commercial facility for which the certificate is being issued, the date on which they were hired, their employment and economic situation at the time of hiring, and any other information required by the Secretary, and in the case of an industrial or commercial facility, which is to be part of an industrial or commercial enterprise also conducted by such person at other locations, or which is to be conducted by a person also engaged in other enterprises, to maintain records showing the portion of such person's taxable income or net operating losses allocable to the industrial or commercial facility for which the certificate is being issued, as if it were conducted by a separate entity, pursuant to regulations promulgated by the Secretary of the Treasury or his delegate under section 482 of the Internal Revenue Code, modified as may be necessary to fulfill the purposes of this Act.

(2) the Secretary determines that the expected benefits to employment and to other aspects of the economic and social welfare of such rural job development area warrant the granting of the income tax incentives under title II of this Act as to the capital investment in such industrial or commercial facility; and

(3) the Secretary determines thta the issuance of such certificate is in accordance with the policy set forth in section 102(a)(5) respecting the relocation of industry.

(b) The Secretary shall issue a separate certificate of eligibility with regard to each industrial or commercial facility (or new portion thereof) which meets the requirements of subsection (a) regardless of whether such facility is operated by any person as part of a single industrial or commerical enterprise.

(c) The Secretary shall issue a certificate of eligibility for benefits under this Act to any person who is a successor in interest to any person operating an industrial or commerical enterprise which has established an industrial or commercial facility in a rural job development area and with respect to which facility a certificate of eligibility was issued under subsection (a), if—

(1) such person agrees to continue to use the facility as an industrial or commercial facility, and to conform to the requirements of subsection (a) (1); and

(2) the issuance of such certificate is in accordance, as determined by the Secretary, with the policy set forth in section 5 respecting the relocation of industry.

(d) The Secretary shall terminate a certificate of eligibility issued to any person under this section to operate an industrial or commercial facility whenever he determined, after an appropriate hearing, that the person to whom such certificate was issued has failed, after due notice and a reasonable opportunity to correct the failure at such facility, to carry out its agreement under section 101(a) (4), (5). In making a determination under this subsection, the Secretary shall be guided by, but not limited to, the following criteria:

(1) a reduction in the number of qualified jobs provided by any such enterprise below the minimums specified in section 101(a) (4), (5) shall not be grounds for termination of a certificate of eligibility issued

to such enterprise, if the Secretary determined that (i) such reduction results from business or economic factors beyond the control of such enterprise, and (ii) not less than two-thirds of all the persons employed full-time in such jobs by such enterprise to meet the requirements of section 101 (a) (4), (5) continue to meet those requirements.

(2) a change in the residence of any person employed by such enterprise, after his employment has commenced, shall not affect his status for purposes of applying section 101 (a) (4), (5).

(e) The Secretary shall keep interested and participating Federal, State, and local agencies fully apprised of any action taken by him under this section.

(f) No certificate of eligibility shall be issued under this section to any person, unless application therefor is received by the Secretary prior to the expiration of ten years after the date of enactment of this Act.

### REPORTS

SEC. 103. (a) The Secretary may by regulation require any person to whom a certificate of eligibility is issued under section 101 to file such reports from time to time as he may deem necessary in order to carry out his functions under this chapter.

(b) Whoever, in any report required to be filed under this section knowingly makes a false statement of a material fact, shall be fined not more than $ or imprisoned for not more than years, or both.

## TITLE II—TAX INCENTIVES

### INCOME TAX CREDIT FOR INVESTMENT IN DEPRECIABLE PROPERTY IN RURAL JOB DEVELOPMENT AREAS

SEC. 201. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

**"SEC. 40. INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY IN RURAL JOB DEVELOPMENT AREAS**

"(a) GENERAL RULE.—There shall be allowed, as a credit against the tax imposed by this chapter, the amount determined under subpart C of this part.

"(b) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart C."

(b) Part IV of subchapter A of chapter 1 of such Code (relating to credits against tax) is amended by adding at the end thereof the following new subpart:

## "Subpart C—Rules for Computing Credit for Investment in Certain Depreciable Property in Rural Job Development Areas

"Sec. 51. Amount of credit.
"Sec. 52. Certain dispositions, etc., of section 40 property.
"Sec. 53. Definitions; special rules.

### "SEC. 51. AMOUNT OF CREDIT.

"(a) DETERMINATION OF AMOUNT.—

"(1) GENERAL RULE.—The amount of the credit allowed by section 40 for the taxable year shall be equal to:

"(A) 7 percent of the qualified expenditures (as defined in section 53(b) made during the taxable year in regard to section 40 real property (as defined in section 53(a)(3), and

"(B) 14 percent of the qualified expenditures (as defined in section 53(b) made during the taxable year in regard to section 40 personal property (as defined in section 53(a)(4).

"(2) LIMITATION.—Notwithstanding paragraph (1), the credit allowed by section 40 for the taxable year shall not exceed the taxpayer's liability for tax for such year.

"(3) LIABILITY FOR TAX.—For purposes of this section, the liability for tax for the taxable year shall be the tax imposed by this chapter for such year, reduced by the sum of the credits allowable under—

"(A) section 33 (relating to foreign tax credit),

"(B) section 35 (relating to partially tax-exempt interest),

"(C) section 37 (relating to retirement income), and

"(D) section 38 (relating to investment in certain depreciable property).

For purposes of this paragraph, any tax imposed for the taxable year by section 531 (relating to accumulated earnings tax), section 541 (relating to personal holding company tax), or section 1378 (relating to tax on certain capital gains of subchapter S corporations), and any additional tax imposed for the taxable year by section 1351 (d) (1) (relating to recoveries of foreign expropriation losses), shall not be considered tax imposed by this chapter for such year.

"(b) Carryback and Carryover of Unused Credits.—

"(1) Allowance of credit.—If the amount of the credit determined under subsection (a) (1) for any taxable year exceeds the taxpayer's liability for tax for such taxable year (hereafter in this subsection referred to as the 'unused credit year'), such excess shall be—

"(A) a section 40 credit carryback to each of the 3 taxable years preceding the unused credit year, and

(B) a section 40 credit carryover to each of the 10 taxable years following the unused credit year.

and shall be added to the amount allowable as a credit by section 40 for such years, except that such excess may be a carryback only to a taxable year ending after the date of the enactment of the Rural Job Development Act of 1967. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 13 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried and then to each of the other 12 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) Limitation.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the taxpayer's liability for tax for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a) (1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year.

### "SEC. 52. CERTAIN DISPOSITIONS, ETC., OF SECTION 40 PROPERTY.

"(A) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate—

"(1) EARLY DISPOSITIONS.—If section 40 property (as defined in section 53 (a) (2)) is disposed of, or otherwise ceases to qualify as section 40 property with respect to the taxpayer, the tax under this chapter for the taxable year in which the disposition occurs shall be increased by an amount equal to the credits allowed under section 40 for prior taxable years for qualified expenditures (as defined in section 53 (b)) which were made—

"(A) in the case of section 40 real property (as defined in section 53 (a) (3)) within 10 years before the date of the disposition, or

"(B) in the case of section 40 personal property (as defined in section 53 (a) (4)) within 4 years before the date of the disposition.

This paragraph shall not apply to any qualified expenditures with respect to which there has been an increase of tax under paragraph (2).

"(2) TERMINATION OF CERTIFICATE.—If the section 40 certificate (as defined in section 53 (a) (1)) is terminated under section 102 (d) of the Rural Job Development Act of 1967, with respect to a section 40 facility (as defined in section 53 (a) (5)) of the taxpayer;

"(A) the taxpayer's tax under this chapter for the taxable year in which the termination occurs shall be increased by an amount equal to the credits allowed under section 40 for prior taxable years for qualified expenditures which were made in accordance with section 53 (b) (3) within 3 years before the date of the termination with respect to all section 40 property used at, or in connection with, such facility, and

"(B) the taxpayer's gross income for the taxable year in which the termination occurs shall be increased by an amount equal to the deductions allowed to the taxpayer under section 183 in such taxable year and the 2 preceding taxable years with respect to employees employed at, or in connection with, such facility.

"(3) Carrybacks and carryovers adjusted.—In the case of any disposition described in paragraph (1) or any termination described in paragraph (2), the carrybacks and carryovers under section 51 (b) shall be adjusted.

"(b) Section Not To Apply in Certain Cases.—Subsection (a) shall not apply to—

"(1) a disposition by reason of death,

"(2) a disposition to which section 381 (a) applies,

"(3) a disposition necessitated by the cessation of the operation of a section 40 facility where the Secretary of Agriculture certifies that such cessation results from economic factors beyond the control of the section 40 business (as defined in section 53 (a) (6)), or

"(4) a disposition on account of the destruction or damage of section 40 property by fire, storm, shipwreck, or other casualty, or by reason of its theft.

For purposes of subsection (a), property shall not be treated as ceasing to be section 40 property with respect to the taxpayer by reason of a mere change in the form of conducting the section 40 business so long as the property is retained in such business as section 40 property and the taxpayer retains a substantial interest in such business.

**"SEC. 53. DEFINITIONS; SPECIAL RULES.**

"(a) Section 40 Certificate, Etc.—For purposes of this chapter—

"(1) Section 40 certificate.—The term 'section 40 certificate' means a certificate of eligibility issued by the Secretary of Agriculture under section 102 (a) or section 102 (b) of the Rural Job Development Act of 1967.

"(2) Section 40 property.—The term 'section 40 property' means property which, in regard to a taxpayer conducting a section 40 business—

"(A) is of a character which is subject to the allowance for depreciation provided in section 167 and which is not property of a kind which would properly be includible in the inventory of the taxpayer if on hand at the close of the taxable year or which is not property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business,

"(B) will be used by such taxpayer (i) as a section 40 facility, (ii) as an integral part of, or in the operation of, any such facility, (iii) in furnishing transportation, communications, electrical energy, gas, water, or sewerage disposal primarily to any such facility, and

"(C) has at the time it is first used by such taxpayer after such taxpayer has been issued a section 40 certificate in regard to the section 40 facility at, or in connection with which, such property is used, a useful life of at least (i) 4 years in the case of section 40 personal property, (ii) 10 years in the case of section 40 real property.

Property shall not be treated as section 40 property if, after its acquisition by the taxpayer, it is used by a person who used such property before such acquisition (or by a person who bears a relationship described in section 179(d)(2)(A) or (B) to a person who used such property before such acquisition).

"(3) SECTION 40 REAL PROPERTY.—The term 'section 40 real property' means section 40 property which is section 1250 property (within the meaning of section 1250(c)).

"(4) SECTION 40 PERSONAL PROPERTY.—The term 'section 40 personal property' means section 40 property which is section 1245 property (within the meaning of section 1245(b)).

"(5) SECTION 40 FACILITY.—The term 'section 40 facility' means an industrial or commercial facility (as defined in section 3(5) of the Rural Job Development Act of 1967 which is specified by the Secretary of Agriculture in a section 40 certificate.

"(6) SECTION 40 BUSINESS.—The term 'section 40 business' means an industrial or commercial enterprise (as defined in section 3(4), of the Rural Job Development Act of 1967) with respect to which a section 40 certificate has been issued which has not been terminated under section 102(d) of such Act.

"(b) QUALIFIED EXPENDITURES.—

"(1) IN GENERAL.—The term 'qualified expenditures' means, with respect to each taxable year, expenditures by the taxpayer—

"(A) properly chargeable to capital account,

"(B) paid or accrued for—

"(i) the manufacture, production, construction, or erection of section 40 property,

"(ii) the acquisition of section 40 property by a purchase (as defined in section 179(d)(2) and subsection (d) of this section), or

"(iii) the reconstruction, permanent improvement, or betterment of section 40 property, and

"(C) made during the 10-year period beginning with the date on which a section 40 certificate is first issued to any person with respect to the section 40 facility, as, or in connection with which, such property is used.

"(2) LIMITATION.—Expenditures in regard to section 40 real property shall be treated as qualified expenditures only if the construction, erection, acquisition, reconstruction, permanent improvement, or betterment for which such expenditures are made, conforms to the standards prescribed by the Secretary.

"(3) YEAR OF QUALIFIED EXPENDITURES.—All qualified expenditures shall be deemed made in the taxable year in which—

"(A) in the case of qualified expenditures for the manufacture, production, construction, erection, or acquisition by purchase of section 40 property, the year in which the section 40 property is placed in service, and

"(B) in the case of qualified expenditures for the reconstruction, permanent improvement, or betterment of section 40 property, the year in which the section 40 property as reconstructed, improved, or bettered as a result of the qualified expenditure is placed in service.

For purposes of this paragraph, any manufactured, produced, constructed, erected, or acquired section 40 property, or any reconstructed, improved, or bettered section 40 property, shall be deemed placed in service in the taxable year in which such manufactured, produced, constructed, erected, or acquired section 40 property, or such section 40 property as reconstructed, improved, or bettered, first becomes subject to depreciation by a taxpayer computing depreciation on a daily basis.

"(4) Replacement property.—If section 40 property is manufactured, produced, constructed, erected, reconstructed, or acquired to replace property which was destroyed or damaged by fire, storm, shipwreck, or other casualty, or was stolen, the qualified expenditures with respect to such section 40 property which would (but for this paragraph) be taken into account for purposes of section 51 (a) shall be reduced by an amount equal to the amount received by the taxpayer as compensation, by insurance or otherwise, for the property so destroyed, damaged, or stolen, or to the adjusted basis of such property, whichever is the lesser.

"(c) Certain Leased Property.—A person (other than a person referred to in subsection (g)) who is a lessor of property, which in the hands of the lessee constitutes section 40 property, may (at such time, in such manner, and subject to such conditions as are provided by regulations prescribed by the Secretary or his delegate) elect with respect to any section 40 property, as to which no prior credit under section 40 has previously been taken, to treat the lessee as having purchased such property for an amount equal to—

"(1) except as provided in paragraph (2), the fair market value of such property, or

"(2) if such property is leased by a corporation which is a member of an affiliated group (within the meaning of section 46(a) (5)) to another corporation which is a member of the same affiliated group, the basis of such property to the lessor,

"(3) if acquisition of property has been financed by tax-exempt obligations. If a lessor makes the election provided by this subsection with respect to any property, the lessee shall be treated for all purposes of this subpart as having acquired such property. For purposes of subsection (a) (1) (C), the useful life of the property to the lessee shall be deemed to be the useful life over which the lessee is permitted to depreciate or amortize the property.

"(d) SUBCHAPTER S. CORPORATION.—In the case of an electing small business corporation (as defined in section 1371)—

"(1) the qualified expenditures for each taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such taxable year, and

"(2) any person to whom any expenditures have been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expenditures, and such expenditures shall not (by reason of such apportionment) lose their character as qualified expenditures.

"(e) Estates and Trusts.—In the case of an estate or trust—

"(1) the qualified expenditures for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each, and

"(2) any beneficiary to whom any expenditures have been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expenditures, and such expenditures shall not (by reason of such apportionment) lose their character as qualified expenditures.

"(f) Cross Reference.—

> **"For application of this subpart to certain acquiring corporations, see section 381(c)(24)."**

(c) Section 48(a) of such Code (relating to definition of section 38 property) is amended by adding at the end thereof the following new paragraph:

"(7) Section 40 property.—Any property which is section 40 property (as defined in section 53(a)(2)) shall not be treated as section 38 property to the extent that expenditures for the manufacture, production, construction, erection, reconstruction, permanent improvement, betterment, or acquisition of such property constitute qualified expenditures (as defined in section 53 (b))."

(d) Section 381 (c) of such Code (relating to carryovers in certain corporate acquisitions) is amended by adding at the end thereof the following new paragraph:

"(24) CREDIT UNDER SECTION 40 FOR INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY IN RURAL JOB DEVELOPMENT AREAS.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and section 40, and under such regulations as may be prescribed by the Secretary or his delegate) the items required to be taken into account for purposes of section 40 in respect to the distributor or transferor corporation."

(e) (1) The table of subparts for part IV of subchapter A of chapter 1 of such Code is amended by adding at the end thereof the following new item:

**"Subpart C—Rules for Computing Credit for Investment in Certain Depreciable Property in Rural Job Development Areas."**

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Investment in certain depreciable property in rural job development areas.
"Sec. 41. Overpayments of tax."

### DEPRECIATION DEDUCTION

SEC. 202. Section 167 of the Internal Revenue Code of 1954 (relating to depreciation) is amended by redesignating subsection (j) as (k) and by inserting after subsection (i) the following new subsection:

"(i) SECTION 40 PROPERTY.—

"(1) USEFUL LIFE.—At the election of the taxpayer—

"(A) the useful life of any property which is section 40 property (as defined in section 53 (a) (2)) shall, for purposes of this section, be 66⅔ percent of the useful life of such property determined without regard to this paragraph; and

"(B) the guideline class lives prescribed by the Secretary or his delegate which are applicable to any property which is section 40 property shall, for purposes of this section, be 66⅔ percent of the guideline class lives applicable to such property determined without regard to this paragraph. An election under this paragraph shall be made at such time and in such manner as the Secretary or his delegate prescribes by regulations.

"(2) NEAREST FULL YEAR.—If the useful life or guideline class life of any property as determined under subsection (i) includes a fraction of a year, such useful life shall be deemed the nearest full year.

"(3) Reserve ratio tests.—In justifying class lives used for purposes of the deduction allowed by this section under the reserve ratio tests prescribed by the Secretary or his delegate, a taxpayer who makes an election under paragraph (1) (B) shall, for all purposes, be deemed to have utilized class lives equal to 150 percent of those applicable determined without regard to this subsection.

"(4) Salvage value.—In determining the salvage value of section 40 property, subject to an election under paragraph (1) (A) and (B), the useful life of the property shall be deemed that life which would be applicable without regard to paragraph (1) (A) and (B).

"(5) Exception.—No election may be made under paragraph (1) with respect to any section 40 property which is placed in service after the expiration of the 10-year period beginning on the date on which a section 40 certificate (as defined in section 53 (a) (1)) is first issued to any person for the section 40 facility (as defined in section 53 (a) (5)) at, or in connection with which, such section 40 property is used."

NET OPERATING LOSS CARRYOVERS

Sec. 203. Section 172 of the Internal Revenue Code of 1954 (relating to net operating loss deduction) is amended—

(1) by striking out "(C) and (D)" in subsection (b) (1) and inserting in lieu thereof "(C), (D), and (E)";

(2) by adding at the end of subsection (b) (1) the following new subparagraph:

"(E) The portion of a net operating loss for any taxable year to which (under subsection (2)) this subparagraph applies which is allocable to the operation of a section 40 business (as defined in section 53 (a) (6)) through a section 40 facility (as defined in section 53 (a) (5)) shall be a net operating loss carryover to each of the 10 taxable years following the taxable year of such loss. The determination as to the portion of a taxpayer's net operating loss allocable to the operation of an industrial or commercial facility by a section 40 business shall be made in accordance with regulations promulgated by the Secretary or his delegate under section 102 (a) (1) (A) of the Rural Job Development Act of 1967."

(3) by redesignating subsection (2) as (m), and by inserting after subsection (k) the following new subsection:

"(2) CARRYOVER OF NET OPERATING LOSSES OF CERTIFIED BUSINESSES.—Subsection (b) (1) (E) shall apply, with respect to the operation of such section 40 facility, only to a net operating loss for (A) the taxable year in which the operation of such facility is begun by any section 40 business under a section 40 certificate (as defined in section 53 (a) (1)), or (B) any of the 9 succeeding taxable years."

### SPECIAL DEDUCTION FOR SALARIES AND COMPENSATION PAID

SEC. 204. (a) Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following new section:

### "SEC. 183. SPECIAL DEDUCTION FOR CERTAIN BUSINESSES OPERATING IN RURAL JOB DEVELOPMENT AREAS.

"(a) GENERAL RULE.—In the case of any person engaged in a section 40 business (as defined in section 53 (a) (6)), there shall be allowed as a deduction for the taxable year (in addition to any deduction under section 162) an amount equal to 25 percent of the compensation paid or incurred in money during the taxable year to employees who—

"(1) are described in section 101 (a) (5) of the Rural Job Development Act of 1967, and

"(2) during the period for which the compensation is paid or incurred, perform substantially all of their duties as employees at a section 40 facility (as defined in section 53 (a) (5)) through which such section 40 business is conducted.

"(b) LIMITATIONS.—Subsection (a) shall apply, with respect to employees at any section 40 facility, only to compensation paid or incurred in money during a 3-year period beginning with the date on which a section 40 certificate (as defined in section 53 (a) (1)) is first granted to any person with respect to such section 40 facility."

(b) The table of sections for part VI of subchapter B of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"SEC. 183. Special deduction for certain businesses operating in urban poverty areas."

### EFFECTIVE DATE

SEC. 205. The amendments made by this title shall apply to taxable years ending after the date of the enactment of this Act.

## TITLE III—TRAINING ASSISTANCE FOR INDUSTRIES LOCATING IN RURAL JOB DEVELOPMENT AREAS

SEC. 301. Title II of the Manpower Development and Training Act of 1962 is amended by adding at the end thereof the following new part:

### "PART D—TRAINING ASSISTANCE FOR INDUSTRIES LOCATING IN RURAL JOB DEVELOPMENT AREAS

### "GENERAL RESPONSIBILITY

"SEC. 251. The Secretaries of Labor and of Health, Education, and Welfare are authorized to provide, in accordance with their respective responsibilities under parts A and B of this title, a supplementary program of training and training allowances, in consultation with the Secretary of Agriculture, for low-income individuals who reside in a rural job development area or who are unemployed and who are to be employed by a person operating an industrial or commercial enterprise certified under section 102 of the Rural Job Development Act of 1967. Such program shall be carried out by the Secretaries of Labor and of Health, Education, and Welfare in accordance with the provisions otherwise applicable to programs under this Act and with their respective functions under those provisions, except that—

"(1) the Secretary of Labor, in consultation with the Secretary of Agriculture, shall determine the occupational training or retraining needs of such individuals to be employed by any such enterprise;

"(2) all individuals to be employed in a rural job development area by any such enterprise may be selected for training and shall be eligible for training allowances under this part: *Provided,* That the amount and duration of training allowances under this section shall in no event exceed the amount and duration of training allowances provided under section 203 of this Act;

"(3) the Secretary of Health, Education, and Welfare may, in appropriate cases, after consultation with the Secretary of Labor, arrange for training to be conducted by any such enterprise for individuals to be employed by it in any such area;

"(4) the Secretaries of Labor and of Health, Education, and Welfare shall, each with respect to his functions under this section, prescribe jointly with the Secretary of Agriculture such rules and regulations as may be necessary to carry out the purposes of this part; and

"(5) no funds available under this part shall be apportioned to any State pursuant to section 301 of this Act, nor shall any matching funds be required.

### "PRIORITY

"SEC. 252. The Secretary of Labor shall, to the extent practicable, give priority to the referral of individuals for training authorized by this part."

### APPROPRIATIONS AUTHORIZED

SEC. 302. Section 304 of the Manpower Development and Training Act of 1962 is amended by striking out "(d)" and inserting in lieu thereof "(e)" and by inserting immediately after subsection (c) thereof the following new subsection:

"(d) For the purpose of carrying out part D of title II there are hereby authorized to be appropriated not in excess of $20,000,000 for the fiscal year ending June 30, 1968, and for each fiscal year thereafter such amounts as may be necessary."

### EFFECTIVE DATE

SEC. 303. The amendments made by this title shall take effect on July 1, 1967.

## TITLE IV

### ECONOMIC AND BUSINESS DATA

SEC. 401. The Secretary may collect, analyze, and publish data pertaining to investments in various types of enterprises in relation to employment, inventories of resources, unemployment and underemployment, suitability of potential locations for various types of enterprises, qualifications, and skills and training needs of the labor force in various areas, market information, and other economic subjects, for use in carrying out the purposes of this Act and for the information and guidance of businessmen who may seek to establish job-creating enterprises in rural job development areas. In the connection of such data, existing sources and facilities shall be utilized to the maximum extent feasible.

### NATIONAL ADVISORY COMMITTEE

SEC. 402. The Secretary shall appoint a National Public Advisory Committee on Rural Industrialization which shall consist of twenty-five members and shall be composed of representatives of business, industry, labor, agriculture, State, and local governments, and the public in general. From the members appointed to such Committee, the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

### ANNUAL REPORT

SEC. 403. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending after the date of enactment of this Act.

Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

APPROPRIATIONS

SEC. 404. $250,000 is to be appropriated so that the Secretary, as provided by the bill, may collect and disseminate relevant economic data and to serve as an information clearinghouse for local communities and businesses considering establishing job-creating enterprises in job development areas. This appropriation shall be utilized to fund the rural industrialization program which was created in 1966 to stimulate industrial development in rural areas by—

(1) telling businessmen of the advantages of locating plants in rural America;

(2) providing a site location and analysis service;

(3) bringing together community, State, and Federal programs for industrial and community development.

## THE HUMAN INVESTMENT ACT (SENATOR PROUTY)

### Explanation

#### PURPOSE

"To provide an incentive to American business to invest in the improvement of the Nation's human resources by hiring, training, and employing presently unemployed workers lacking needed job skills, and by upgrading the job skills of and providing new job opportunities for workers presently employed."

#### METHOD

The act offers employers a tax credit toward certain expenses of programs designed to train prospective employees for jobs with the company or retrain current employees for more demanding jobs with the company.

#### AMOUNT OF TAX CREDIT

Ten percent of the allowable training expenses, with a maximum of $25,000 plus 50 percent of the taxpayer's tax liability in excess of $25,000. This credit would be in addition to credits provided for by other sections of the tax code, and in addition to the regular deduction as a trade or business expense under section 162 of the code.

#### ALLOWABLE EMPLOYEE TRAINING EXPENSES

1. The wages and salaries of employees who are apprentices in an apprenticeship program registered with a State apprenticeship agency or the Federal Bureau of Apprenticeship and Training.
2. The wages and salaries of employees who are enrolled in an on-the-job training program pursuant to section 204 of the Manpower Development and Training Act of 1962.
3. The wages and salaries of employees who are participating in a cooperative education program involving alternate periods of academic study and employment in cooperation with a secondary school, college, university, business school, trade school or vocational school.
4. Tuition and course fees paid by the taxpayer for the instruction of any individual by a college, university, business school, trade school, or vocational school in job skills necessary for his employment by the taxpayer or for his continued employment with the taxpayer.
5. Home study course fees paid by the taxpayer for the instruction of any individual by a college, university, or accredited home study school in job skills necessary for his employment by the taxpayer or for his continued employment with the taxpayer.

6. Expenses to the taxpayer of organized job training (including classroom instruction), including expenses for the purchase or lease of books, testing and training materials, classroom equipment, and instructors' fees and salaries, incurred in training any individual in job skills necessary for his employment by the taxpayer or for his continued employment with the taxpayer.
7. Expenses to the taxpayer of organized job training provided by another taxpayer.
8. Expenses to the taxpayer of organized job training provided by a business or trade association, joint labor-management apprenticeship committee or other similar nonprofit association.

### OTHER PROVISIONS

1. Allowable employee training expenses must be tax deductible under section 162 of the Code, relating to trade or business expenses.
2. The tax credit could be carried back 3 years and carried forward 7 years.
3. No credit would be allowed for the training of managerial, professional, or advanced scientific employees. The intent of the act is to encourage business to upgrade the skills of those at the bottom end of the skill and income ladder, not middle management or professional employees.
4. No credit would be allowed for avocational or recreational courses.
5. Employers could not claim a credit when the training expenses are reimbursable by the Government under a training contract, etc.

### COMMENT

The Human Investment Act is patterned closely after the investment credit provisions of the Revenue Act of 1962, which permitted a 7-percent tax credit toward investment in certain depreciable plant equipment and real property.

This bill is an attempt to meet the increasingly serious problems of structural unemployment caused by a labor force ill fitted for existing and developing job opportunities. Unlike programs aimed only at the hard-core unemployed, the Human Investment Act is designed to help both the hard-core unemployed and workers presently employed who seek to increase their skills to qualify for better jobs. The intent of the Act is to advance all workers up the skill ladder, thus opening vacancies at the bottom for the presently unskilled and unemployed.

The major premise of the Human Investment Act is that private business and labor have, over the years, learned how to obtain the most results per training dollar, and should now be encouraged to expand their training programs to meet the growing national need. Rather than to expand Government-operated programs with all their bureaucracy, inefficiency, and expense, the philosophy of this act is to revise the tax structure to stimulate increased investment in "human capital" by the private sector of the economy.

## LEGISLATIVE HISTORY

The original version of the Human Investment Act was introduced on February 17, 1965, by Senator Winston Prouty (Republican, of Vermont) (S. 1130; remarks at p. 2702, Congressional Record). Following 6 months of study and consultation with businessmen, labor leaders, economists, and tax lawyers, a revised Human Investment Act was introduced on September 9, 1965 (S. 2509, H.R. 10934). Detailed explanatory remarks by Senator Prouty appear at page 22506 of the Record of that day. A special presentation organized by the leading House sponsor, Representative Thomas B. Curtis (Republican, of Missouri) begins at page 22400. Thirty-five Representatives took part in the presentation, and a total of 46 introduced the bill at that time.

The present Human Investment Act (S. 812, H.R. 4574) was introduced on February 2, 1967, by Senator Prouty and 28 other Senators, and by Representative Curtis and 121 other Representatives. Explanatory remarks by Senator Prouty may be found on pages S1367 to S1386 of the Record of that day. The remarks of Representative Curtis and 44 other Representatives occupy pages H926 to H947 on the same day.

(Extra copies of this summary may be obtained from the office of Senator Winston Prouty, 444 Old Senate Office Building, Washington, D.C., phone CApitol 5-2051; or from the office of Representative Thomas B. Curtis, 1336 Longworth House Office Building, Washington, D.C., phone CApitol 5-2311.)

90th CONGRESS
1st Session

# S. 812

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IN THE SENATE OF THE UNITED STATES

February 2, 1967

Mr. Prouty (for himself, Mr. Allott, Mr. Baker, Mr. Boggs, Mr. Carlson, Mr. Case, Mr. Cooper, Mr. Cotton, Mr. Dirksen, Mr. Dominick, Mr. Fannin, Mr. Fong, Mr. Griffin, Mr. Hansen, Mr. Hickenlooper, Mr. Hruska, Mr. Javits, Mr. Jordan of Idaho, Mr. Kuchel, Mr. Miller, Mr. Morton, Mr. Mundt, Mr. Murphy, Mr. Pearson, Mr. Percy, Mr. Scott, Mrs. Smith, Mr. Thurmond, and Mr. Tower) introduced the following bill; which was read twice and referred to the Committee on Finance

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# A BILL

To amend the Internal Revenue Code of 1954 to allow a credit against income tax to employers for the expenses of providing job training programs.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act shall be known as the "Human Investment Act of 1967".

## DECLARATION OF PURPOSE

Sec. 2. It is the purpose of this Act to provide an incentive to American business to invest in the improvement of the Nation's human resources by hiring, training, and employing presently unemployed workers lacking needed job skills, and by upgrading the job skills of and

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providing new job opportunities for workers presently employed.

SEC. 3. Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by renumbering section 40 as section 41, and by inserting after section 39 the following new section:

### "SEC. 40. EXPENSES OF EMPLOYEE TRAINING PROGRAMS.

"(a) GENERAL RULE.—There shall be allowed, as a credit against the tax imposed by this chapter, the amount determined under subpart C of this part.

"(b) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart C."

SEC. 4. Part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by adding at the end thereof the following new subpart:

## "Subpart C—Rules for Computing Credit for Expenses of Employee Training Programs

"Sec. 51. Amount of credit.
"Sec. 52. Definitions; special rules.

### "SEC. 51. AMOUNT OF CREDIT.

"(a) DETERMINATION OF AMOUNT.—

"(1) GENERAL RULE.—The amount of the credit allowed by section 40 for the taxable year shall be equal to 10 percent of the employee training expenses (as defined in section 52 (a)).

"(2) Limitation based on amount of tax.—Notwithstanding paragraph (1), the credit allowed by section 40 for the taxable year shall not exceed—

"(A) so much of the liability for the taxable year as does not exceed $25,000, plus

"(B) 50 percent of so much of the liability for tax for the taxable year as exceeds $25,000.

"(3) Liability for tax.—For purposes of paragraph (2), the liability for tax for the taxable year shall be the tax imposed by this chapter for such year, reduced by the sum of the credits allowable under—

"(A) section 33 (relating to foreign tax credit),

"(B) section 35 (relating to partially tax exempt interest),

"(C) section 37 (relating to retirement income), and

"(D) section 38 (relating to investment in certain depreciable property).

For purposes of this paragraph, any tax imposed for the taxable year by section 531 (relating to accumulated earnings tax) or by section 541 (relating to personal holding company tax) shall not be considered tax imposed by this chapter for such year.

"(4) MARRIED INDIVIDUALS.—In the case of a husband or wife who files a separate return, the amount specified under subparagraphs (A) and (B) of paragraph (2) shall be $12,500 in lieu of $25,000. This paragraph shall not apply if the spouse of the taxpayer has no employee training expenses for, and no unused credit carryback or carryover to, the taxable year of such spouse which ends within or with the taxpayer's taxable year.

"(5) AFFILIATED GROUPS.—In the case of an affiliated group, the $25,000 amount specified under subparagraphs (A) and (B) of paragraph (2) shall be reduced for each member of the group by apportioning $25,000 among the members of such group in such manner as the Secretary or his delegate shall by regulations prescribe. For purposes of the preceding sentence, the term 'affiliated group' has the meaning assigned to such term by section 1504 (a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1504 (b))."

"(b) Carryback and Carryover of Unused Credit.—

"(1) Allowance of credit.—If the amount of the credit determined under subsection (a) (1) for any taxable year exceeds the limitation provided by subsection (a) (2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be—

"(A) an employee training credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) an employee training credit carryover to each of the 7 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 40 for such years, except that such excess may be a carryback only to a taxable year beginning after December 31, 1966. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 10 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 9 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) LIMITATION.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a) (2) for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a) (1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year.

"(3) EFFECT OF NET OPERATING CARRYBACK.—To the extent that the excess described in paragraph (1) arises by reason of a net operating loss carryback, subparagraph (A) of paragraph (1) shall not apply.

### "SEC. 52. DEFINITIONS; SPECIAL RULES.

"(a) EMPLOYEE TRAINING EXPENSES.—For purposes of this subpart, the term 'employee training expenses' means—

"(1) the wages and salaries of employees who are apprentices in an apprenticeship program registered with a State apprenticeship agency or the Federal Bureau of Apprenticeship and Training;

"(2) the wages and salaries of employees who are enrolled in an on-the-job training program pursuant to section 204 of the Manpower Development and Training Act of 1962;

"(3) the wages and salaries of employees who are participating in a cooperative education program involving alternate and approximately equal periods of study and employment in cooperation with—

"(A) a school or college, or department or division of a school or college, which is certified by the United States Commissioner of Education to be an area vocational education school as defined in section 8(2) of the Vocational Education Act of 1963 (Public Law 88-210), or

"(B) a business or trade school, or technical institution or other technical or vocational school, which is certified by the United States Commissioner of Education to be an eligible institution as defined in section 17(a) of the National Vocational Student Loan Insurance Act of 1965 (Public Law 89-287);

"(4) tuition and course fees paid or incurred by the taxpayer to—

"(A) a school or college, or department or division of a school or college, which is certified by the United States Commissioner of Education to be an area vocational education school as defined in section 8(2) of the Vocational Education Act of 1963 (Public Law 88-210), or

"(B) a business or trade school, or technical institution or other technical or vocational school, which is certified by the United States Commissioner of Education to be an eligible institution as defined in section 17(a) of the National Vocational Student Loan Insurance Act of 1965 (Public Law 89-287)

for instruction of an individual in job skills necessary for and directly related to his employment by the taxpayer or his continued employment with the taxpayer in a position requiring additional job skills, and amounts paid or incurred by the taxpayer to any such individual in reimbursement for such tuition and fees paid by such individual;

"(5) home study course fees paid or incurred by the taxpayer to any home study school accredited by a nationally recognized accrediting agency or association listed by the United States Commissioner of Education for instruction of an individual in job skills necessary for and directly related to his employment by the taxpayer or his continued employment with the taxpayer in a position requiring additional job skills, and amounts paid or incurred by the taxpayer to any such individual in reimbursement for such individual;

"(6) expenses of the taxpayer for organized job training (including classroom instruction) provided by the taxpayer, including (but not limited to) expenses for the purchase or lease of books, testing and training materials, classroom equipment and related items, and instructors' fees and salaries, incurred in training any individual in job skills necessary for and directly related to his employment by the taxpayer or his continued employment with the taxpayer in a position requiring additional job skills;

"(7) expenses of the taxpayer for organized job training described in paragraph (6) provided by another taxpayer, but only to the extent the expenses of providing such instruction would, if it were provided by the taxpayer, constitute employee training expenses of the taxpayer under paragraph (6) of this subsection; and

"(8) expenses of the taxpayer for organized job training described in paragraph (6) provided by a business or trade association, joint labor-management apprenticeship committee, or other similar nonprofit association, group, trust fund, foundation, or institution for an employee or prospective employee of any taxpayer member of such association, committee, group, trust fund, foundation, or institution in job skills necessary for and directly related to his employment by such taxpayer member or his continued employment with such taxpayer member in a position requiring additional job skills.

"(b) ORGANIZED JOB TRAINING DEFINED.—For purposes of this section, the term 'organized job training' means job training according to a plan formulated or approved by the taxpayer which contains—

"(1) the title and description of the job objectives for which individuals are to be trained;

"(2) the length of the training period;

"(3) a schedule listing various operations for major kinds of work or tasks to be learned and showing for each, job operations or work, tasks to be performed, and the approximate length of time to be spent on each operation or task;

"(4) the wage or salary to be paid at the beginning of the course of training, at each successive step in the course, and at the completion of training;

"(5) the entrance wage or salary paid to employees already trained in the kind of work for which the individuals are to be trained; and

"(6) the number of hours of supplemental related instruction required.

"(c) LIMITATIONS.—

"(1) TRADE OR BUSINESS EXPENSES.—No item shall be taken into account under subsection (a) unless such item is allowable as a deduction under section 162 (relating to trade or business expenses). For purposes of applying the preceding sentence, expenses which are paid or incurred by the taxpayer with respect to an individual who is not his employee shall be treated as paid or incurred with respect to an individual who is his employee.

"(2) CERTAIN KINDS OF TRAINING EXCLUDED.—

"(A) in general, no item shall be taken into account under subsection (a) with respect to any expense paid or incurred in training any individual in—

"(i) management, supervisory, professional, or human relation skills;

"(ii) scientific or engineering course creditable to a baccalaureate degree by an institution of higher education (as defined by the first sentence of section 103(b) of the National Defense Education Act of 1958);

"(iii) courses of a type determined by the Veterans' Administrator to be avocational or recreational in character under the authority of section 1673 of chapter 34 of part III of title 38, United States Code; or

"(iv) subjects not contributing specifically and directly to such individual's employment or prospective employment with the taxpayer (or a taxpayer member of an association, group, trust fund, foundation, or institution as used in paragraph (8) of subsection (a)).

"(B) EXCEPTIONS.—Subparagraph (A) shall not apply to—

"(i) expenses described in subsections (a) (4) and (5) paid or incurred for courses and at institutions certified by a State apprenticeship agency (or where none exists, by the Bureau of Apprenticeship and Training) as eligible for inclusion in a registered apprenticeship program in an apprenticeable occupation listed by the Bureau of Apprenticeship and Training;

"(ii) expenses described in subsections (a)

(4) and (5) paid or incurred for courses offered in a 2-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge by an institution which is accredited or otherwise certified by the United States Commissioner of Education under paragraph 401 (f) (5) of the Higher Education Facilities Act of 1963 (Public Law 88-204); or

"(iii) expenses described in subsection (a) for training which has been approved by the agency of a State that administers its State unemployment compensation law for individuals receiving unemployment compensation.

"(3) REIMBURSED EXPENSES.—No item shall be taken into account under subsection (a) to the extent that the taxpayer is reimbursed for such item by any other taxpayer, by any association, group, trust fund, foundation, or institution, or by any State, local, or Federal Government program, grant, contract, or agreement.

"(4) GEOGRAPHICAL LIMITATION.—No item shall be taken into account under subsection (a) with respect to any expense paid or incurred by the taxpayer for training conducted on the territory of any foreign country.

"(5) OVERLAPPING EXPENSES.—A taxpayer may take into account expenses paid or incurred with respect to any one individual under either paragraph (3) or paragraph (4) of subsection (a), but shall not take into account expenses concurrently paid or incurred with respect to such individual under both such paragraphs.

"(d) SUBCHAPTER S CORPORATIONS.—In case of an electing small business corporation (as defined in section 1371)—

"(1) the employee training expenses for each taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such taxable year, and

"(2) any person to whom any employee training expense has been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expense.

"(e) ESTATES AND TRUSTS.—In the case of an estate or trust—

"(1) the employee training expenses for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each,

"(2) any beneficiary to whom any employee training expense has been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expense, and

"(3) the $25,000 amount specified under subparagraphs (A) and (B) of section 51(a)(2) applicable to such estate or trust shall be reduced to an amount which bears the same ratio to $25,000 as the amount of the employee training expenses allocated to the trust under paragraph (1) bears to the entire amount of the employee training expenses.

"(f) LIMITATIONS WITH RESPECT TO CERTAIN PERSONS.—In the case of—

"(1) an organization to which section 593 applies,

"(2) a regulated investment company or a real estate investment trust subject to taxation under subchapter M (section 851 and following), and

"(3) a cooperative organization described in section 1381 (a),

rules similar to the rules provided in section 46 (d) shall apply under regulations prescribed by the Secretary or his delegate.

"(g) CROSS REFERENCE.—For application of this subpart to certain acquiring corporations, see section 381 (c) (24)."

SEC. 5. Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from gross income) is amended by renumbering section 123 as 124 and by inserting after section 122 the following new section:

**"SEC. 123. TUITION AND FEES UNDER EMPLOYEE TRAINING PROGRAMS.**

"In the case of an individual, gross income does not include—

"(1) tuition and course fees paid on behalf of such individual, or amounts received as reimbursement for such tuition and fees paid by such individual, to the extent such tuition and fees or such reimbursement constitutes employee training expenses under section 52 (a) (4) of the person making the payment or reimbursement, and

"(2) home study course fees paid on behalf of such individual, or amounts received as reimbursement for such fees paid by such individual, to the extent such fees or reimbursement constitutes employee training expenses under section 52 (a) (5) of the person making the payment or reimbursement."

SEC. 6. (a) The table of subparts for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:

"Subpart C. Rules for computing credit for expenses of employee training programs."

(b) The table of sections of subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out

"Sec. 40. Overpayments of tax."

and inserting in lieu thereof

"Sec. 40. Expenses of employee training programs.
"Sec. 41. Overpayments of tax."

(c) The table of sections for part III of subchapter B of chapter 1 of such Code is amended by striking out

"Sec. 123. Cross references to other Acts."

and inserting in lieu thereof

"Sec. 123. Tuition and fees under employee training programs.
"Sec. 124. Cross references to other Acts."

(d) Section 381 (c) of such Code (relating to items taken into account in certain corporate acquisitions) is amended by adding at the end thereof the following new paragraph:

"(24) CREDIT UNDER SECTION 40 FOR EMPLOYEE TRAINING EXPENSES.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and section 40, and under such regulations as may be prescribed by the Secretary or his delegate) the items required to be taken into account for purposes of section 40 in respect of the distributor or transferor corporation."

SEC. 7. The amendments made by this Act shall apply with respect to taxable years beginning after December 31. 1966.

## GUARANTEED EMPLOYMENT ACT OF 1967

90th CONGRESS
1st Session

# H. R. 12280

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## IN THE HOUSE OF REPRESENTATIVES

August 10, 1967

Mr. O'Hara of Michigan (for himself, Mr. William D. Ford, Mr. Nedzi, Mr. Conyers, Mr. Perkins, Mr. Holland, Mr. Scheuer, Mr. Gonzalez, Mr. Halpern, Mr. Rees, Mr. Byrne of Pennsylvania, Mr. Gray, Mr. Barrett, Mr. Pepper, Mr. O'Hara of Illinois, Mr. Reuss, Mr. Hawkins, Mr. Roybal, Mr. Multer, Mr. Moorhead, Mr. Charles H. Wilson, Mr. Helstoski, Mr. Holifield, Mr. Diggs, and Mr. Karth) introduced the following bill; which was referred to the Committee on Education and Labor

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# A BILL

To guarantee productive employment opportunities for those who are unemployed or underemployed.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as "The Guaranteed Employment Act of 1967".

DECLARATION OF FINDINGS, PURPOSE, AND POLICY

Sec. 2. (a) The Congress finds that, in the public interest, it is the responsibility of the Federal Government to find gainful employment for those of our citizens who are able, willing, and seeking to work, but who, for reasons beyond their control as individuals, are unable to find such gainful employment; and that jobs assured by the Federal Government in the exercise of such responsibility will benefit not only those employed but will also benefit the Nation generally by assuring a more stable economy and a more stable society.

(b) The Congress further finds and declares that to further implement the goal of full employment it shall be the continuing policy of the Federal Government to develop a program consistent with overall economic and manpower policies, with the active assistance and cooperation of State and local government agencies, and with nonprofit private agencies primarily in the public service area, for the purpose of guaranteeing productive employment opportunities for those of the unemployed and underemployed who are able, willing, and seeking to work.

### DEFINITIONS

SEC. 3. For purposes of this Act—

(1) The term "eligible unemployed person" means any individual aged eighteen to sixty-five, both inclusive, who has demonstrated that he is able, willing, and seeking to work, and (A) has been unemployed for five or more weeks; or (B) has been forced by economic reasons to work on a part-time basis though seeking full-time employment.

(2) The term "part-time basis" means less than thirty-

five hours a week for a continuous period of ten weeks o more.

(3) The term "private nonprofit organization" means any nonprofit educational institution, or any private nonprofit hospital or other health-care institution, or any private nonprofit organization certified by the Secretary as engaged in activities designed to improve the physical, social, economic, or cultural condition in the community or area to be served.

(4) The term "Secretary" means the Secretary of Labor.

## OFFICE OF GUARANTEED EMPLOYMENT OPPORTUNITIES

SEC. 4. (a) There is hereby established in the Department of Labor an Office of Guaranteed Employment Opportunities, which shall be headed by a Director appointed by the President, by and with the advice and consent of the Senate.

(b) That section 5316 of title 5, United States Code, is amended by adding at the end thereof the following:

"(117) Director, Office of Guaranteed Employment Opportunities, Department of Labor."

## GRANT AUTHORITY

SEC. 5. The Secretary may make grants to any Federal, State, or local governmental agency or with any private nonprofit organization, to provide employment for up to one million eligible unemployed persons at any one time.

APPLICATION

SEC. 6. Any agency or organization which wishes to receive a grant under section 5 shall submit an application to the Secretary which shall contain assurances satisfactory to him that—

(1) the requirements of section 7 (relating to avoidance of bad effects on others) will be met,

(2) the wages paid under the grant will meet the requirements of section 8,

(3) the hours of work will meet the requirements of section 9,

(4) the health and safety standards required by section 10 will be met,

(5) workmen's compensation (or its equivalent) will be provided as required by section 11,

(6) the information with respect to their rights and benefits will be provided each employee as required by section 12, and

(7) the applicant will make such reports in such form and containing such information as the Secretary may reasonably require to carry out his functions under this Act, and the applicant will keep such records and afford such access thereto as the Secretary may find

necessary to assure the correctness and verification of such reports.

### EFFECTS ON OTHER WORKERS

SEC. 7. A grant under section 5 shall be made only if it will result in an increase in the employment opportunities which would otherwise be available. A grant shall not be made under section 5 which would result in a reduction in the employment and labor costs of the applicant, or the displacement of persons currently employed, including partial displacement resulting from a reduction in hours of work or wage rates or employment benefits. Where a labor organization represents employees who are engaged in work similar to that assisted under the grant, and in the same area, the applicant shall inform the Secretary whether such organization has been consulted.

### WAGES

SEC. 8. Wages paid an employee under grants made under section 5 shall not be lower than, whichever is the highest: (1) the minimum wage applicable to the employment under the Fair Labor Standards Act of 1938, as amended, if section 6 of such Act applied to the employee and he was not exempt under section 13 thereof, (2) the

State or local minimum wage for the most nearly comparable covered employment, or (3) the prevailing rate of wages in the area for similar work.

### HOURS OF WORK

SEC. 9. The normal hours of work of an employee employed under a grant made under section 5 shall not exceed eight per day or forty per week. Overtime work shall be permitted only where unusual circumstances exist and only if other employees of the grantee are also required to perform such overtime work.

### HEALTH AND SAFETY

SEC. 10. Each grantee under section 5 shall maintain suitable standards of health and safety, including (1) suitable physical examinations for prospective employees and employees returning to work after an absence due to illness or injury, (2) first aid facilities and assistance, (3) a safe place to work and adequate sanitary facilities, (4) safety inspections and reports, (5) rules governing undue physical exertion, and (6) a system under which all supervisors are fully informed as to health and safety rules.

### WORKMEN'S COMPENSATION

SEC. 11. A grantee under section 5 shall provide to each employee under the grant a program of compensation for work injuries under which the benefits are at least comparable to the benefits generally available to other employees employed in the same locality.

### INFORMATION TO EMPLOYEES

SEC. 12. Each employee employed under a grant under section 5 shall be advised personally, before employment, as to his rights and benefits in connection with such employment. This includes advice as to availability of fringe benefits, unemployment insurance coverage, the standards of work performance required, the authority of supervisors to fire or discipline workers, the existence of grievance or appeals procedures, and the assistance provided in connection with, or prospects for, employment beyond the grant period. A copy or copies of a statement of such advice approved by the Secretary and of these labor standards shall be posted in a prominent place or places or otherwise made available to all persons employed, or applying for work, with assistance provided under this grant. The statement of these standards shall also be made available, upon request, for inspection by any interested person, including other employees of the employing agency and representatives of labor organizations in the area.

### COMPLIANCE

SEC. 13. Where the Secretary finds that there has been a failure to comply with any assurance referred to in section 6, or that any grantee has failed to comply with any requirement of this Act, he may withhold all or any part of future payments under the grant until he is satisfied there will no longer be any failure to comply, and where he deems it appropriate he may require the grantee to replace any funds which have been misapplied.

### EDUCATION AND TRAINING

SEC. 14. The Secretary shall contract with Federal, State, or local agencies, or with private nonprofit agencies, to provide appropriate education and training programs to increase the basic communications and technical skills of persons provided employment under the program. The Secretary, in addition to assuring eligible participants of employment and training opportunities, shall promote wherever possible programs to assist participants in achieving a meaningful and productive career.

### AUTHORIZATION

SEC. 15. There is hereby authorized to be appropriated not to exceed $4,000,000,000 for the fiscal year beginning July 1, 1968, and such sums as may be necessary for succeeding fiscal years.

90th CONGRESS
2d Session

# S. 2938

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IN THE SENATE OF THE UNITED STATES

February 7, 1968

Mr. Clark (for himself, Mr. Brewster, Mr. Byrd of West Virginia, Mr. Cannon, Mr. Cooper, Mr. Fulbright, Mr. Gruening, Mr. Harris, Mr. Hart, Mr. Inouye, Mr. Javits, Mr. Kennedy of Massachusetts, Mr. Kennedy of New York, Mr. Lausche, Mr. Long of Missouri, Mr. McCarthy, Mr. McGee, Mr. McGovern, Mr. Magnuson, Mr. Mondale, Mr. Montoya, Mr. Morse, Mr. Moss, Mr. Nelson, Mr. Pell, Mr. Prouty, Mr. Proxmire, Mr. Randolph, Mr. Ribicoff, Mr. Scott, Mr. Tydings, Mr. Williams of New Jersey, Mr. Yarborough, and Mr. Young of Ohio) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

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# A BILL

To extend certain expiring provisions under the Manpower Development and Training Act of 1962, as amended.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Manpower Development and Training Act of 1962 is amended as follows:

(1) Section 104 (a) of the Act (LABOR MOBILITY DEMONSTRATION PROJECTS) is amended by striking

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out "1968" in the first sentence of such section, and inserting in lieu thereof "1970";

(2) Section 105 of the Act (TRAINEE PLACEMENT ASSISTANCE DEMONSTRATION PROJECTS) is amended by striking out "1968" in the first sentence of such section, and inserting in lieu thereof "1970";

(3) Section 251 of the Act (PART D—CORRECTIONAL INSTITUTIONS) is amended by striking out "1969" in the first sentence of such section, and inserting in lieu thereof "1970";

(4) Section 304(d) of the Act is amended by striking out "1968" and "1969", and inserting respectively in lieu thereof "1969" and "1970";

(5) Sections 310(a) and 310(b) of the Act are amended by striking out "1969" wherever it appears, and inserting in lieu thereof "1972".

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